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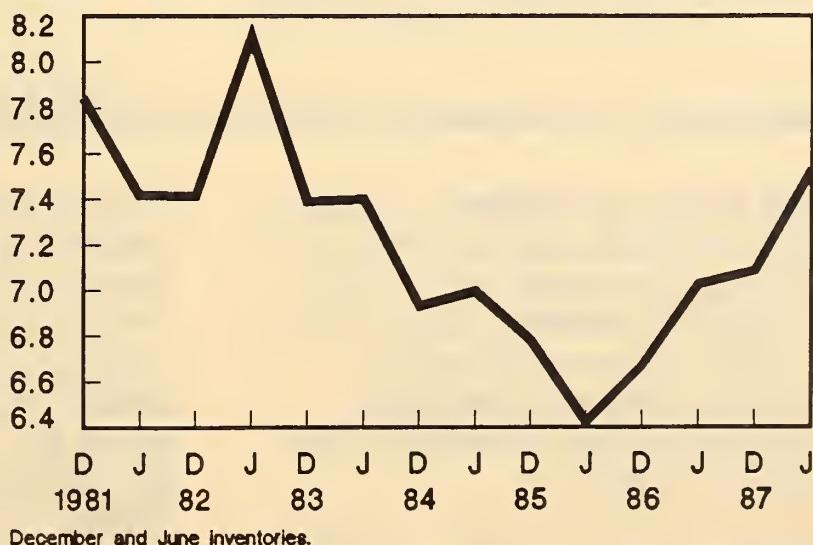
# Livestock and Poultry

## Situation and Outlook Report

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Hogs and Pigs Kept for Breeding

Million head



December and June inventories.

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The present forecasts will be updated in the World Agricultural Supply and Demand Estimates scheduled for release on August 11.

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## SUMMARY

Rising feed costs brought on by drought are affecting livestock and poultry producers' returns. Also, poor pasture and range conditions are reducing forage supplies for cattle and lamb producers. If the drought continues, hog and cattle slaughter may be boosted, adding to already record red meat and poultry supplies.

The midyear *Hogs and Pigs* report indicated 8 percent more hogs and pigs on farms than a year ago. Producers as of June 1 intended to have 7 percent more sows farrow in second-half 1988 than a year earlier. Second-half 1988 pork production likely will be up 9 percent, the same as the first-half increase. However, further drought and higher feed costs would raise production in second-half 1988 and reduce first-half 1989 production. Barrow and gilt prices at the 7-markets may average \$42-\$45 per cwt, compared to \$52 last year.

Rising broiler prices have more than offset higher feed costs. Estimates of the broiler hatcher supply flock suggest that broiler production may be near year-earlier levels in late 1988 and early 1989. For all of 1988, broiler production is forecast to rise 4 percent over a year ago. Wholesale broiler prices are expected to average 51-54 cents per pound, up from 47 cents in 1987.

Net returns for turkey producers have been negative for 10 of the last 12 months.

Producers have cut back poult placements for second-half 1988 production. However, due to large increases in first-half 1988, turkey production for the year is expected to rise 5 percent, well below 1987's 19 percent. Wholesale hen prices are expected to average 58-61 cents per pound, nearly unchanged from 1987.

Egg producers, with negative returns in 12 of the past 14 months, are experiencing rising feed costs. Production is expected to be about 2 percent lower this year than in 1987. Egg prices are expected to average 60-63 cents per dozen, compared with 62 cents last year.

Declining cattle prices in June, following record high levels this spring, likely resulted, in part, from large meat supplies. Feeder cattle prices weakened in response to lower fed cattle prices and rising feed costs. While lower feeder cattle prices reduce returns to cow-calf producers, the more immediate problem is poor pasture and water conditions. Although forages from farm program acreage are helping to relieve shortages, there will be more pressure to reduce the cattle inventory if pastures continue to deteriorate. Beef production is projected to decline 2 percent in 1988 from 1987, with most of the decline from the nonfed sector. Choice steer prices at Omaha are expected to average \$68-\$71 per cwt, up from 1987's \$65.

Table I—Livestock, poultry, and egg production and prices  
(Percent changes are from a year earlier.)

Item	1986		1987					1988 1/				
	Annual		I	II	III	IV	Annual	I	II	III	IV	Annual
Million pounds												
PRODUCTION:												
Beef	24,213	5,754	5,737	6,064	5,850	23,405	5,696	5,775	5,950	5,475	22,896	
% change	+3	0	-8	-3	-1	-3	-1	+1	-2	-6	-2	
Pork	13,998	3,540	3,327	3,384	4,061	14,312	3,787	3,720	3,800	4,325	15,632	
% change	-5	-1	-7	+5	+12	+2	+7	+12	+12	+7	+9	
Lamb & mutton	331	76	75	77	81	309	85	78	80	83	326	
% change	-6	-16	-4	-5	-1	-7	+12	+4	+4	+2	+6	
Veal	509	112	101	99	104	416	97	90	100	110	397	
% change	+2	-13	-22	-23	-15	-18	-13	-11	+1	+6	-5	
Total red meat	39,051	9,482	9,240	9,624	10,096	38,442	9,665	9,663	9,930	9,993	39,251	
% change	0	-1	-8	-1	+4	-2	+2	+5	+3	-1	+2	
Broilers 2/	14,266	3,735	3,907	3,966	3,895	15,502	3,996	4,120	4,085	3,950	16,151	
% change	+5	+9	+6	+10	+9	+9	+7	+5	+3	+1	+4	
Turkeys 2/	3,133	670	865	1,100	1,082	3,717	837	975	1,045	1,030	3,887	
% change	+12	+20	+21	+17	+17	+19	+25	+13	-5	-5	+5	
Total poultry 3/	17,929	4,538	4,927	5,195	5,112	19,772	4,986	5,245	5,260	5,110	20,601	
% change	+6	+10	+9	+11	+11	+10	+10	+6	+1	-0	+4	
Total red meat & poultry	56,980	14,020	14,167	14,819	15,208	58,214	14,651	14,908	15,190	15,103	59,852	
% change	+2	+3	-3	+3	+6	+2	+5	+5	+3	-1	+3	
Million dozen												
Eggs	5,705	1,440	1,438	1,439	1,479	5,797	1,464	1,415	1,400	1,430	5,709	
% change	0	+1	+1	+2	+2	+2	+2	-2	-3	-3	-2	

PRICES:

	Dollars per cwt											
Choice steers, Omaha, 1000-lb	57.75	60.46	68.60	65.04	64.31	64.60	68.28	72.81	65-69	66-72	68-71	
Barrows & gilts, 7 mkts	51.19	48.11	56.18	58.97	43.51	51.69	44.74	45.90	43-47	37-43	42-45	
Slaugh. lambs, Ch., San Ang.	70.26	80.27	90.82	72.90	68.36	78.08	81.51	69.52	62-66	61-67	68-71	
	Cents per pound											
Broilers, 12-city avg. 4/	56.9	50.0	48.2	48.7	42.5	47.4	45.4	55.2	56-60	49-55	51-54	
Turkeys, NY 5/	72.2	58.0	56.4	56.2	60.6	57.8	48.9	51.1	65-69	70-76	58-61	
	Cents per dozen											
Eggs	71.1	64.8	58.9	63.5	59.2	61.6	55.0	53.2	64-68	67-73	60-63	
New York 6/												

1/ Forecast. 2/ Federally inspected. 3/ Includes broilers, turkeys, and mature chickens. 4/ Wholesale weighted average. 5/ Wholesale, 8- to 16-pound young hens. 6/ Cartoned, consumer Grade A large, sales to volume buyers.

## FACTORS AFFECTING LIVESTOCK AND POULTRY

Feed costs rose sharply during June as drought conditions developed in most grain and soybean producing areas. U.S. pasture and range conditions were poorest for the time of year since records began in 1921. On the other hand, economic indicators released in June continued to point to an expanding economy. If the drought continues, slaughter of hogs and cattle may be boosted, adding to already record red meat and poultry supplies.

### *Modest Economic Growth To Continue*

The real Gross National Product (GNP) is expected to grow slightly faster in 1988 than in 1986 and 1987, when GNP grew about 3 percent. June economic indicators raised expectations for a sustained improvement in the trade deficit, dampened inflation fears of a too-tight labor market, and indicated a steady rise in production. Inflation, as measured by the GNP Implicit Price Deflator Index, is expected to rise about the same as 1987's 3 percent. Inflation is expected to be higher in the second half than it was in the first. The bank prime rate, which averaged 8.3 percent in 1987, may rise slightly to around 8.5 to 9 percent in 1988. Real per capita disposable income is likely to grow faster in 1988 (2.5 percent) than in 1987. The higher income growth should boost consumer demand, thereby providing some support to red meat and poultry prices.

### *Corn and Soybean Production To Decline; Feed Costs To Average Higher in 1988/89*

Spring planted crops are under stress from above normal temperatures and below average rainfall. Crops of particular interest to livestock and poultry producers are corn and soybeans. Corn production is projected at 5.2 billion bushels, down 26 percent from a year ago. The sharp decline is a result of a major drought across much of main corn growing regions, especially the Eastern Corn Belt. The projected output reflects conditions as of July 12. At the date of this projection corn was in or near the pollination stage. Thus, subsequent weather will be critical in determining the size of the crop. Soybean production is projected, at 1.65 billion bushels, down 13 percent from last year. Like corn,

soybeans have been affected by the drought, especially in the Eastern Corn Belt.

Corn prices are expected to average \$2.45-\$2.85 per bushel in 1988/89, compared with \$1.90-\$2.00 in 1987/88. Soybean meal is expected to average \$225-\$275 per ton in 1988/89, compared with \$225 in 1986/87. In 1986/87, corn prices averaged \$1.50 per bushel and soybean meal \$163 a ton.

## LIVESTOCK AND RED MEATS

### Hogs

#### *Hog Inventories Up 8 Percent*

The total U.S. inventory of hogs and pigs was estimated at 56.2 million head on June 1, 8 percent larger than a year earlier, and the highest June 1 inventory since 1983. Hogs intended for slaughter were up 8 percent, at 48.7 million, while the breeding herd showed a 7-percent increase, to 7.5 million head. In the 10 quarterly reporting States, which accounted for 78 percent of the total U.S. inventory on June 1, hogs kept for breeding were up 6 percent. Market hogs and total hogs rose 8 percent from a year earlier.

Hog numbers began a slow, steady expansion in mid-1986 as the industry entered a 2-year period of consistently favorable returns to producers. By the end of 1987 the breeding herd had grown 10 percent, from 6.4 to 7.1 million head. In the first half of 1988, the growth rate accelerated. Between December 1, 1987, and June 1, 1988, the U.S. breeding herd increased 6 percent. The number of sows farrowing during March-May 1988 jumped 9 percent over a year earlier, while June-August intentions in the 10 quarterly States showed a 6-percent rise. Producers had initially indicated an increase of only 2 percent in each period.

At the same time that buildup in hog herds was accelerating, feed costs were increasing. Prices of corn and soybean meal trended moderately higher through the first 5 months of 1988, but a seasonal upturn in hog prices kept returns above breakeven. On June 1, however, drought began to threaten crop yields, feed prices rose sharply, and hog prices declined about \$6 per cwt. Feeding margins

Table 2--Hogs on farms June 1, farrowings and pig crops, United States

Item	1985	1986	1987	1988	1987/86	1988/87
- - - - 1,000 head - - - -					- - Percent change - -	
Inventory	52,250	48,825	52,280	56,240	+7	+8
Breeding	6,997	6,420	7,025	7,525	+9	+7
Market	45,253	42,405	45,055	48,715	+6	+8
Under 60 lb	18,968	17,645	19,535	20,885	+11	+7
60-119 lb	11,200	10,565	11,050	12,010	+5	+9
120-179 lb	8,245	7,990	8,160	8,810	+2	+8
180 + lb	6,840	6,205	6,310	7,010	+2	+11
Sows farrowing						
December 1/-February	2,543	2,443	2,506	2,703	+3	+8
March-May	3,027	2,803	3,302	3,302	+8	+9
December 1/-May	5,571	5,246	5,538	6,005	+6	+8
June-August	2,849	2,727	2,930		+7	
September-November	2,820	2,696	2,845		+6	
June-November	5,667	5,423	5,775	2/6,204	+6	+7
Pig crops 1/						
December 1/-February	19,101	18,513	19,339	20,879	+4	+8
March-May	23,444	21,879	23,796	25,768	+9	+8
December 1/-May	42,545	40,392	43,135	46,647	+7	+8
June-August	22,010	21,158	22,694		+7	
September-November	21,474	20,839	21,982		+5	
June-November	43,484	41,997	44,676	3/47,771	+6	+7
Number						
Pigs per litter						
December 1/-February	7.51	7.58	7.72	7.72	+2	0
March-May	7.74	7.80	7.85	7.80	+1	-1
December 1/-May	7.64	7.70	7.79	7.77	+1	0
June-August	7.73	7.76	7.75		0	
September-November	7.62	7.73	7.73		0	
June-November	7.67	7.74	7.74	3/7.70	0	-1

1/ December preceding year. 2/ Intentions. 3/ Average number of pigs per litter with allowance for trend.

eroded rapidly and, at the end of the second quarter, returns to hog producers stood near breakeven.

With the herd buildup portending larger hog slaughter and lower prices, profitability is likely to erode further. Returns likely will be negative through most of the third and fourth quarters of 1988, bringing an end to more than 2 years of relative profitability in the hog industry. Liquidation of some breeding stock is likely as a result, thereby halting the expansion phase as well. The extent of liquidation will be largely determined by the outcome of the 1988 corn and soybean crops. If the liquidation turns out to be extensive, the hog sector may again be profitable in mid-1989.

#### Hog Slaughter To Rise Sharply

Hog slaughter likely will continue above year-earlier levels into the second quarter of

1989. The greatest year-over-year increases should be seen in the third quarter of 1988, with commercial slaughter expected to be up about 13 percent at 21.9 million head. The December 1987-February 1988 pig crop, from which third-quarter slaughter will primarily be drawn, was 8 percent larger than a year earlier at 20.9 million head. At the 10-State level the winter pig crop was estimated at 16.3 million, an increase of 10 percent.

The larger percentage increase in projected hog slaughter is based on the fact that slaughter in third-quarter 1987 was historically small relative to the winter pig crop, and a more "normal" relationship is expected to prevail this year. Liquidation of breeding stock also should raise third-quarter kills.

Since higher feed costs create an incentive to market animals at lighter weights, the average dressed weight of

Table 3—Hogs on farms June 1, farrowings and pig crops, 10 States 1/

Item	1985	1986	1987	1988	1987/86	1988/87
----- 1,000 head -----					--- Percent change ---	
Inventory	41,650	38,025	40,880	44,040	+8	+8
Breeding	5,397	4,870	5,325	5,625	+9	+6
Market	36,253	33,155	35,555	38,415	+7	+8
Under 60 lb	15,168	13,845	15,385	16,385	+11	+6
60-119 lb	9,100	8,315	8,750	9,510	+5	+9
120-179 lb	6,545	6,190	6,435	7,010	+4	+9
180 + lb	5,440	4,805	4,985	5,510	+4	+11
Sows farrowing						
December-February	1,955	1,863	1,916	2,103	+3	+10
March-May	2,420	2,171	2,352	2,552	+8	+9
December-May	4,375	4,034	4,268	4,655	+6	+9
June-August	2,191	2,074	2,257	2,393 3/	+9	+6
September-November	2,265	2,115	2,259	2,401 3/	+7	+6
June-November	4,456	4,189	4,516	4,794 3/	+8	+6
Pig crops						
December 2/-February	14,690	14,254	14,840	16,331	+4	+10
March-May	18,762	16,957	18,601	19,968	+10	+7
December 2/-May	33,452	31,211	33,441	36,299	+7	+9
June-August	16,941	16,164	17,481		+8	
September-November	17,255	16,460	17,503		+6	
June-November	34,196	32,624	34,984		+7	
Number						
Pigs per litter						
December 2/-February	7.51	7.65	7.75	7.77	+1	0
March-May	7.75	7.81	7.91	7.82	+1	-1
December 2/-May	7.65	7.74	7.84	7.80	+1	-1
June-August	7.73	7.79	7.75		-1	
September-November	7.62	7.78	7.75		0	
June-November	7.67	7.79	7.75		-1	

1/ Georgia, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Carolina, Ohio.  
 2/ December preceding year. 3/ Intentions.

barrows and gilts is expected to drop below a year ago by summer's end. This decrease may be partially offset by a higher percentage of sows and heavy gilts in the slaughter mix. Average dressed weights are expected to be about 174 pounds in the third quarter, the same as a year earlier. Third-quarter commercial pork production is therefore projected at 3.8 billion pounds, up 12 percent from a year ago.

The final quarter of 1988 should bring the largest hog slaughter since 1983, with weekly kills under Federal inspection at times exceeding 1.9 million head. Total commercial slaughter for the October-December period is projected near 24.5 million head, a 7-percent increase from a year earlier. This projection is based primarily on the spring pig crop, which will be marketed in the fall. However, fourth-quarter kills could also be inflated by extended herd liquidation if crop yields are

severely reduced. The March-May pig crop was estimated at 25.8 million head at the U.S. level and 20 million head in the 10 States, representing annual increases of 8 and 7 percent, respectively. The number of pigs saved per litter was down slightly, probably owing to a previous infusion of younger sows and gilts into the breeding herd.

Dressed weights may average about 176 pounds in the fall, down from 178 pounds in 1987, due to increased feed costs. If so, commercial pork production will be about 4.325 billion pounds, 7 percent more than a year earlier.

As of June 1, producers intended to have 7 percent more sows farrow during June-November 1988 than a year earlier. These farrowings will produce the hogs for slaughter in the first half of 1989. Breakdowns at the 10-State level show both

Table 4—Breeding inventory, December 1 and June 1, and sow farrowings by quarter, United States

Year	Breeding inventory Dec. 1/ 1/	Sows farrowed			Sows farrowed				
		December–February		March–May		June–August		September–November	
		Number	Percentage of Dec. 1 breeding	Number	Percentage of Dec. 1 breeding	Breeding inventory June 1	Number	Percentage of June 1 breeding	Number
1970	9,189	2,718	29.6	4,389	47.8	10,630	3,476	32.7	3,400
1971	9,645	2,984	30.9	4,253	44.1	9,748	3,211	32.9	3,128
1972	8,475	2,627	31.0	3,871	45.7	9,147	3,001	32.8	2,972
1973	8,650	2,678	31.0	3,760	43.5	8,988	2,957	32.9	2,912
1974	8,605	2,652	30.8	3,663	42.6	8,823	2,859	32.4	2,617
1975	7,389	2,159	29.2	2,814	38.1	7,358	2,507	34.1	2,445
1976	7,574	2,456	32.4	3,321	43.8	8,388	2,965	35.3	2,885
1977	8,011	2,742	34.2	3,308	41.3	8,688	3,087	35.5	2,922
1978	8,604	2,752	32.0	3,282	38.1	8,857	3,176	35.9	3,222
1979	9,605	3,183	33.1	3,993	41.6	10,368	3,766	36.3	3,556
1980	9,645	3,317	34.4	3,913	40.6	9,481	3,410	36.0	3,445
1981	9,118	2,914	32.0	3,526	38.7	8,358	3,197	38.3	3,071
1982	7,844	2,627	33.5	3,037	38.7	7,414	2,891	39.0	2,993
1983	7,475	2,808	37.6	3,494	46.7	8,113	3,174	39.1	3,003
1984	7,391	2,563	34.7	3,131	42.4	7,401	2,955	39.9	2,902
1985	6,933	2,543	36.7	3,027	43.7	6,997	2,849	40.7	2,820
1986	6,783	2,406	36.0	2,803	41.3	6,420	2,727	42.5	2,696
1987	6,671	2,506	37.6	3,032	45.5	7,025	2,930	41.7	2,845
1988	7,086	2,703	38.1	3,302	46.6	7,525	2,845	40.5	2,845

1/ Previous year.

Table 5—Hogs and pigs, breeding inventory and sow slaughter, United States 1/

Item	1985	1986	1987	1988
1,000 head				
December 1 breeding 2/	6,933	6,783	6,671	7,086
December-May sow slaughter	1,918	1,560	1,639	1,712
Gilts added December-May	1,982	1,167	1,952	2,151
June 1 breeding	6,997	6,420	7,025	7,525
June-November sow slaughter	2,109	1,892		
Gilts added June-November	1,895	2,219		

1/ Estimated commercial. 2/ December previous year.

Table 6—Sow slaughter balance sheet, 10 States

Item	1985	1986	1987	1988
Million head				
December 1 breeding 1/	5.3	5.3	5.1	5.5
December–February Comm. sow slaughter 2/	.8	.7	.6	.7
Gilts added	.7	.3	.7	.7
March 1 breeding	5.2	4.9	5.3	5.5
March–May Comm. sow slaughter 2/	.7	.6	.8	5.6
Gilts added	.9	.6	.8	
June 1 breeding	5.4	4.9	5.3	
June–August Comm. sow slaughter 2/	.8	.7	.8	
Gilts added	.8	.7	.8	
September 1 breeding	5.4	4.9	5.3	
September–November Comm. sow slaughter	.8	.7	.7	
Gilts added	.7	.9	.8	

1/ December previous year. 2/ 75 percent of estimated U.S. commercial sow slaughter.

June–August and September–November intentions up 6 percent.

Whether producers follow through with these intentions will be indicated by the degree of herd liquidation in the summer. June–August farrowings are not as likely to be reduced by liquidation, since these sows were bred during February–April. However, adverse weather, crop, and market conditions in June and July may have prompted producers to market gilts or sows originally scheduled for

Table 7—Spring pig crop and hog slaughter

Year	Pig crop March–May	Commercial hog slaughter, Oct.–Dec.	Slaughter as percent of pig crop
1,000 head			
1980	28,603	24,641	86.1
1981	26,560	24,026	90.5
1982	22,816	20,825	91.3
1983	26,532	24,334	91.7
1984	23,646	22,743	96.2
1985	23,444	21,721	92.7
1986	21,879	20,330	92.9
1987	23,796	22,834	96.0
1988	25,768		

breeding in those months, thereby reducing farrowing activity in the fall. Most likely, producers have altered their intentions since June 1.

First-quarter 1989 commercial slaughter is projected at 21.9 million head, up 3 percent from a year earlier. Pork production may total 3.85 billion pounds, a 2-percent increase, based on an average dressed weight of 176 pounds. Second-quarter hog slaughter may show a 1-percent increase, to 21 million head, while pork production may be about at 3.7 billion pounds.

#### Cold Storage Stocks To Pressure Third-Quarter Prices

Stocks of pork in cold storage continued to grow at an above-average pace in the spring, rising 67 percent above a year earlier on May 31. At the end of June freezer stocks were probably about 75 percent larger than a year ago. (The Cold Storage report estimating

Table 8—Summer pig crop and commercial slaughter

Year	Pig crop June–Aug.	Slaughter Jan.–Mar. 1/	Slaughter/pig crop
-- 1,000 head --			
1980	24,417	23,678	97.0
1981	23,548	21,714	92.2
1982	21,383	20,212	94.5
1983	23,361	21,806	93.3
1984	22,346	20,871	93.4
1985	22,010	20,379	92.6
1986	21,158	19,938	94.2
1987	22,694	21,339	94.0

1/ January–March of the following year.

Table 9--Federally inspected hog slaughter

Week ended	1986	1987	1988
Thousands			
Jan.			
9	1,675	1,683	1,717
16	1,654	1,659	1,766
23	1,563	1,527	1,605
30	1,506	1,500	1,543
Feb.			
6	1,526	1,455	1,535
13	1,512	1,502	1,544
20	1,501	1,395	1,542
27	1,606	1,533	1,595
Mar.			
5	1,635	1,555	1,600
12	1,650	1,577	1,674
19	1,556	1,573	1,639
26	1,579	1,500	1,631
Apr.			
2	1,518	1,529	1,599
9	1,633	1,553	1,573
16	1,651	1,498	1,655
23	1,619	1,393	1,659
30	1,637	1,453	1,695
May			
7	1,607	1,475	1,653
14	1,560	1,440	1,633
21	1,518	1,445	1,577
28	1,310	1,226	1,533
June			
4	1,471	1,383	1,323
11	1,459	1,372	1,489
18	1,373	1,341	1,513
25	1,330	1,356	1,510
July			
2	1,118	1,193	1,520
9	1,390	1,360	1,342
16	1,349	1,345	
23	1,281	1,354	
30	1,314	1,330	
Aug.			
6	1,338	1,372	
13	1,369	1,445	
20	1,402	1,404	
27	1,419	1,475	
Sept.			
3	1,257	1,548	
10	1,492	1,363	
17	1,504	1,709	
24	1,504	1,620	
Oct.			
1	1,521	1,658	
8	1,555	1,638	
15	1,528	1,720	
22	1,551	1,664	
29	1,580	1,786	
Nov.			
5	1,576	1,791	
12	1,537	1,778	
19	1,557	1,770	
26	1,308	1,463	
Dec.			
3	1,530	1,879	
10	1,548	1,879	
17	1,503	1,727	
24	1,069	1,150	
31	1,258	1,458	

1/ Corresponding dates to 1988: 1986, January 11; 1987, January 10.

stocks as of June 30, scheduled for release on July 22, was unavailable at this writing.) The cold storage situation in 1988 contrasts sharply with 1987. Last year, accumulation during the storage season was very light and summer pork production fell short of previous indications; the small freezer stocks were insufficient to prevent pork supplies from becoming tight in the third quarter. This year, June 30 stocks were about 15 percent above the 10-year average, while third-quarter pork production could be the largest since 1980.

#### Hog Prices To Trend Lower

Barrow and gilt prices reached above \$50 per cwt in mid-May after establishing the spring low near \$41 just 3 weeks earlier. The average price at the seven major markets held near \$50 through the first week in June as weekly kills under Federal inspection dipped under 1.5 million head. At that point, however, slaughter began to increase slightly and prices moved counterseasonally lower. For the quarter, barrows and gilts averaged \$46.

For the rest of 1988, the positive effects on hog prices of a strong economy and reduced beef and turkey supplies will be overshadowed by larger pork and chicken supplies. Per capita pork supplies in the third quarter are likely to be about 15 percent greater than a year ago, with chicken supplies up 3 percent. In the fourth quarter, pork supplies could be 7 percent larger on a per-capita basis, with chicken up 1 percent. Fourth-quarter beef and turkey supplies are expected to decline 5 and 7 percent, respectively, from a year earlier.

For the first time since 1979, pork supplies are likely to increase from the second to the third quarter. Accordingly, prices could be counterseasonally weak through the summer, making it probable that the hog market registered its seasonal -- and annual -- price peak in the first week of June. Wholesale pork prices could be pressured by rising slaughter rates and liquidation of large frozen pork stocks, which may have to be priced into consumption at substantial discounts. Already frozen belly prices have reached the lowest levels since 1980. As slaughter grows heavier, the spread between wholesale pork and live hog prices is likely to widen, further depressing hog prices. This

spread is expected to be considerably wider than a year ago in the third quarter, and about the same as the previous year in the fourth quarter.

Weekly kills under Federal inspection could swell to 1.8 million head in September, peaking near 2 million in November. Under this scenario, barrow and gilt prices at the seven markets are expected to hold in the mid-\$40's per cwt in July and August before declining again in September. The third-quarter average price is likely to fall between \$43 and \$47, down substantially from the third-quarter 1987 average of \$59.

There will be a seasonal increase in pork supplies from the third to the fourth quarter, but it may be small relative to past years. Hence, the bulk of the seasonal decline in hog prices, which began in June, is expected to take place in late summer. Still, weekly kills may exceed 1.8 million throughout October-December, keeping strong pressure on fresh pork prices. Barrows and gilts at the seven markets may average \$37-43 per cwt, compared with \$44 a year earlier.

Per-capita pork supplies are likely to remain about 1 percent above a year earlier in the first quarter of 1989. Barrow and gilt

prices may be up slightly from the same period last year, averaging in the mid-\$40's per cwt. Second-quarter average prices could rise to the high-\$40's, with a fairly strong seasonal improvement possible at the end of the period.

#### Retail Pork Prices To Hold Fairly Steady

Retail pork prices are expected to be steady through the remainder of the year, between \$1.80 and \$1.85 per pound. Weaker wholesale pork values will tend to hold retail prices down, while firmness in retail beef and chicken prices may be a supportive influence. In addition, the wholesale-to-retail spread will probably widen as hog prices decline. This spread averaged near \$1.10 per pound in second-quarter 1988, and may increase about 5 cents in the second half of the year.

#### U.S. Pork Exports Expand Rapidly

U.S. pork exports increased 47 percent during January-April 1988, to 41 million pounds, carcass weight. Most of the increase was to Japan, up 115 percent to 27 million pounds. Exports to Mexico during January-April 1988 were 3 million pounds, up from .5 million during the same period last year. Total pork exports for 1988 are projected to be 125 million pounds, up 15 percent.

Table 10--Pork: Retail, wholesale, and farm values, spreads, and farmers' share

Year	Retail price 1/	Wholesale value 2/	Gross farm value 3/	By-product allowance 4/	Net farm value 5/	Farm-retail spread			Farmers' share 6/
						Total	Wholesale-retail	Farm-wholesale	
Cents per pound									
1982	175.4	121.8	94.3	6.3	88.0	87.4	53.6	33.8	50
1983	169.8	108.9	81.4	4.9	76.5	93.3	60.9	32.4	45
1984	162.0	110.1	83.3	5.9	77.4	84.6	51.9	32.7	48
1985	162.0	101.1	76.2	4.8	71.4	90.6	60.9	29.7	44
1986	178.4	110.9	87.3	4.9	82.4	96.0	67.5	28.5	46
1987	188.4	113.0	87.9	5.2	82.7	105.7	75.4	30.3	44
I	185.0	103.8	81.8	5.0	76.8	108.2	81.2	27.0	41
II	183.4	116.6	95.6	5.5	90.1	93.3	66.8	26.5	49
III	195.5	124.3	100.3	5.9	94.4	101.1	71.2	29.9	48
IV	189.7	107.4	74.0	4.3	69.7	120.0	82.3	37.7	37
1988									
Jan.	185.3	104.0	75.9	4.6	71.3	114.0	81.3	32.7	38
Feb.	183.1	105.3	80.3	4.8	75.5	107.6	77.8	29.8	41
Mar.	183.3	103.5	72.9	4.3	68.6	114.7	79.8	34.9	37
I	183.9	104.3	76.4	4.6	71.8	112.1	79.6	32.5	39
Apr.	182.9	102.5	71.4	4.2	67.2	115.7	80.4	35.3	37
May	183.6	106.4	80.8	4.7	76.1	107.5	77.2	30.3	41

1/ Estimated weighted-average of BLS prices of retail cuts from pork carcass. 2/ Value of wholesale quantity equivalent to 1 lb of retail cuts. A wholesale-carcass equivalent of 1.06 is used. 3/ Market values to producer for 1.7 lb of live animal, equivalent to 1 lb of retail cuts. 4/ Portion of gross farm value attributable to edible and inedible by-products. 5/ Gross farm value minus by-product allowance. 6/ Percent net farm value is of retail price.

Table 11--Farrow-to-finish hog production costs and returns, 1,600 head annual sales  
North Central Region 1/

Item	1987			1988					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun
Dollars per cwt									
Cash receipts: 2/									
Market hogs (94.25 lb)	47.83	38.76	39.41	42.37	44.24	40.49	40.13	44.43	45.88
Cull sows (5.75 lb)	2.73	1.94	1.69	1.90	2.02	1.94	1.99	2.10	1.97
Total	50.56	40.70	41.10	44.27	46.26	42.22	42.12	46.53	47.85
Cash expenses:									
Feed--									
Corn (345.6 lb)	9.95	9.47	8.76	9.60	9.82	9.91	10.38	10.37	10.41
Soybean meal (70.6 lb)	6.89	7.32	7.32	7.39	7.39	7.39	8.43	8.43	
Mixing concentrates (14.3 lb)	2.84	2.84	2.84	2.84	2.82	2.82	2.82	2.85	2.85
Total feed	19.68	19.63	18.92	19.76	20.03	20.12	20.59	21.65	21.69
Other:									
Veterinary and medicine 3/	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Fuel, lube, and electricity	1.46	1.48	1.48	1.48	1.50	1.50	1.50	1.50	1.50
Machinery and building repairs	2.42	2.42	2.42	2.42	2.42	2.42	2.45	2.45	2.45
Hired labor 4/	1.27	1.27	1.27	1.27	1.27	1.27	1.38	1.38	1.38
Miscellaneous	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61
Total variable expenses	26.17	26.14	25.43	26.27	26.56	26.65	27.26	28.32	28.36
General farm overhead	1.75	1.41	1.42	1.53	1.61	1.47	1.46	1.62	1.67
Taxes and insurance	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.71	0.71
Interest	4.29	3.43	3.46	3.73	3.89	3.57	3.54	3.96	4.07
Total fixed expenses	6.67	5.47	5.51	5.89	6.13	5.67	5.63	6.29	6.45
Total cash expenses 5/	32.84	31.61	30.94	32.16	32.69	32.32	32.89	34.61	34.81
Receipts less cash expenses	17.72	9.09	10.16	12.11	13.57	10.12	9.23	11.92	13.04
Capital replacement	5.82	5.77	5.77	5.77	5.84	5.84	5.84	5.91	5.91
Receipts less cash expenses and replacement	11.90	3.32	4.39	6.34	7.73	4.28	3.39	6.01	7.13

1/ The feed rations and expense items do not necessarily coincide with the experience of individual hog operations and are an average of a group of operators. For individual use, adjust expenses and prices for management, production levels and locality of operation. 2/ Based on 94.25 lb of barrows and gilts liveweight and 5.75 lb of sows per cwt sold. 3/ Includes costs for feed medication, that is usually included as part of the feed cost. 4/ Based on .204 hours per cwt of liveweight hog marketed. 5/ Do not include a charge for family or operator labor (.732 hours) or a charge for land and fixed assets.

About half of Japan's pork imports came from Taiwan last year. On March 18, these shipments were halted because of sulfamethazine residues found in Taiwanese pork. The ban was lifted about June 10 and Japan's imports from Taiwan are expected to resume. During the period of the ban, Japan increased imports from Denmark and Canada as well as the United States.

Mexico recently removed import tariffs from some meat, including pork products. USDA amended Mexico's export credit guarantee allocation on June 29 to establish a \$40-million line of credit to purchase U.S. beef, pork, and poultry. This could signal Mexico's reentry into the U.S. pork market. The United States exported 32 million pounds of pork to Mexico in 1985. Mexico had been importing low value pork, but deteriorating

#### Imports of Hogs and Pork Increase

Swine imports, at 212,354 head, increased 42 percent during January-April 1988. The United States imports mainly slaughter hogs from Canada. Small numbers of hogs are also imported from Canada and other countries for breeding and research. The countervailing duty deposit rate on Canadian hogs for the period April 1985-March 1986 is presently \$Can4.386. However, a preliminary rate of \$Can2.2 for this period is being considered, and hearings have been set for August 5, 1988. If the lower rate is accepted then refunds will be made between the difference. Economic conditions prevented even this trade. U.S. pork exports to Mexico fell to only 2 million pounds in 1986, rising to 7 million pounds in 1987.

Table 12--Corn Belt hog feeding: Selected costs at current rates 1/

Purchased during: Marketed during:	Aug. 87 Dec. 87	Sept. 87 Jan.	Oct. 87 Feb.	Nov. Mar.	Dec. Apr.	Jan. May	Feb. June	Mar. July	Apr. Aug.	May Sept	June Oct.
<b>Expenses: (\$/head)</b>											
40-50 lb feeder pig	48.05	47.28	41.53	36.56	31.74	37.47	44.80	48.65	52.16	46.85	31.40
Corn (11 bu)	15.84	15.95	16.83	17.71	18.76	19.08	20.02	20.13	20.52	21.34	26.62
Protein supplement (130 lb)	18.72	18.72	18.79	18.79	18.79	20.28	20.28	20.30	20.02	20.02	20.02
Total feed	34.56	34.67	35.62	36.50	37.55	39.36	40.30	40.43	40.54	41.36	46.64
Labor & management (1.3 hr)	12.19	12.19	10.61	10.61	10.61	10.86	10.86	10.86	12.27	12.27	12.27
Vet medicine 2/	2.67	2.67	2.68	2.68	2.68	2.70	2.70	2.70	2.73	2.73	2.73
Interest on purchase (4 mo)	1.76	1.73	1.55	1.37	1.19	1.40	1.68	1.82	1.92	1.72	1.15
Power, equip, fuel, shelter depreciation 2/	6.50	6.50	6.52	6.52	6.52	6.55	6.55	6.55	6.65	6.65	6.65
Death loss (4% of purchase)	1.92	1.89	1.66	1.46	1.27	1.50	1.79	1.95	2.09	1.87	1.26
Transportation (100 miles)	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48
Marketing expenses	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Miscel. & indirect costs 2/	.67	.67	.67	.67	.67	.67	.67	.67	.68	.68	.68
<b>Total</b>	<b>109.94</b>	<b>109.22</b>	<b>102.46</b>	<b>97.99</b>	<b>93.85</b>	<b>102.13</b>	<b>110.97</b>	<b>115.25</b>	<b>120.66</b>	<b>115.75</b>	<b>104.40</b>
<b>Selling Price Required To Cover: (\$/cwt)</b>											
Feed and feeder costs (220 lb)	37.55	37.25	35.07	33.21	31.50	34.92	38.68	40.49	42.14	40.10	35.47
All costs (220 lb)	49.97	49.65	46.57	44.54	42.66	46.42	50.44	52.39	54.85	52.61	47.45
Feed cost per 100-lb gain (180 lb)	19.20	19.26	19.79	20.28	20.86	21.87	22.39	22.46	22.52	22.98	25.91
Barrows and gilts, 7 mkts	41.14	44.43	47.01	42.79	42.10	47.55	48.06				
Net margin	-8.83	-5.22	.44	-1.75	-.56	1.13	-2.38				
<b>Prices:</b>											
40-lb feeder pig (So. Missouri) \$/head	48.05	47.28	41.53	36.56	31.74	37.47	44.80	48.65	52.16	46.85	31.40
Corn \$/bu 3/	1.44	1.45	1.53	1.61	1.70	1.74	1.82	1.84	1.86	1.94	2.42
Protein supp. (38-42%) \$/cwt 4/	14.40	14.40	14.45	14.45	14.45	15.60	15.60	15.60	15.40	15.40	15.40
Labor & management \$/hr 5/	9.38	9.38	8.16	8.16	8.16	8.35	8.35	8.35	9.44	9.44	9.44
Interest rate (annual)	11.00	11.00	11.22	11.22	11.22	11.22	11.22	11.22	11.02	11.02	11.02
Transportation rate \$/cwt (100 miles) 6/	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22
Marketing expenses \$/cwt 7/	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Index of prices paid by farmers (1910-14=100)	1128	1128	1132	1132	1132	1138	1138	1138	1154	1154	1154

1/ Although a majority of hog feeding operations in the Corn Belt are from farrow-to-finish, relative fattening expenses will be similar. Costs represent only what expenses would be if all selected items were paid for during the period indicated. The feed rations and expense items do not necessarily coincide with the experience of individual feeders. For individual use, adjust expenses and prices for management, production level, and locality of operation. 2/ Adjusted monthly by the index of prices paid by farmers for commodities, services, interest, taxes, and wage rates. 3/ Average price received by farmers in Iowa and Illinois. 4/ Average prices paid by farmers in Iowa and Illinois. 5/ Assumes an owner-operator receiving twice the farm labor rate. 6/ Converted from cents/mile for a 44,000-pound haul. 7/ Yardage plus commission fees at a Midwest terminal market.

With the expectation of a lower countervailing duty rate along with a larger pool of marketable hogs in Canada during 1988, U.S. imports of live hogs could increase considerably over last year. In Canada, hog marketings are expected to increase 8 percent during 1988. Feed was plentiful and cheap in 1987. However, because of the drought in Canada, feed prices are expected to increase in 1988 and hog marketings are forecast to be up only 2 percent in 1989.

Pork imports increased 3 percent during January-April 1988 to 403 million pounds. While imports from Canada are up 2 percent to 195 million pounds, imports from Denmark are down 6 percent to 107 million pounds. Total imports of pork during 1988 are forecast to reach 1,275 million pounds, up 7 percent.

## Cattle

Cattle prices began to tumble during June after reaching record highs this spring. Most of the price weakness came as larger beef supplies from May fed cattle marketings began to work their way through distribution channels. Marketings from the seven monthly reporting States totaled over 1.7 million head, up 14 percent from a year earlier and nearly 9 percent above the last 5-year average for May. Beef production rose 4 percent from April, an increase of 76 million pounds.

June cattle slaughter and production moderated somewhat from May, but on a cumulative basis, second-quarter slaughter remained equal with the winter quarter. Total slaughter for the first half of the year was down only 3 percent from the same period in 1987. Steer and heifer carcass weights remained heavy as a larger proportion were

coming from feedlots. This kept beef production within 1 percent of the first half of 1987, despite the reduced slaughter numbers. Heifer weights in particular have remained heavy, the likely result of older heifers retained for herd replacement being placed in feedlots and fewer nonfed heifers in the slaughter mix.

The drought may accelerate this situation if it continues much longer. Producers faced with the dilemma of culling animals from breeding herds because of low forage supplies likely would sell replacement heifers and older cows before their younger breeding stock. Heifers would be the first to go since the income generated from their offspring would not be realized until at least next year. However, heifer retention already is expected to be relatively low. During the first 6 months of 1988, heifer slaughter was running above levels that would suggest even a modest

Table 13--7-States cattle on feed, placements, and marketings

Year	On feed	Percent change 1/	Net placements	Percent change 1/	Marketings	Percent change 1/	Other disappearance	Percent change 1/
	1,000 head	Percent	1,000 head	Percent	1,000 head	Percent	1,000 head	Percent
<b>1986</b>								
Jan.	7,920	-8.3	1,494	+12.2	1,750	-1.8	87	-26.3
Feb.	7,664	-6.4	1,128	-9.5	1,470	-4.5	92	-2.1
Mar.	7,322	-7.2	1,564	+4.7	1,593	+2.2	86	-12.2
Apr.	7,293	-6.8	1,445	+12.6	1,631	+1.7	120	-9.8
May	7,107	-5.3	1,624	+4.9	1,635	+1.9	132	+3.1
June	7,096	-4.8	1,095	-7.5	1,648	+4.5	67	-23.0
July	6,543	-7.3	1,480	+45.5	1,692	+1.3	64	+4.9
Aug.	6,331	-1.1	1,732	+19.6	1,659	-2.2	70	+12.9
Sept.	6,404	+4.0	2,044	+7.1	1,637	+2.1	59	-25.3
Oct.	6,811	+5.4	2,322	-13.8	1,587	+.9	81	-4.7
Nov.	7,546	-.5	1,727	+2.2	1,447	+4.9	87	+14.5
Dec.	7,826	-.8	1,331	-2.8	1,514	+8.6	104	-6.3
<b>1987</b>								
Jan.	7,643	-3.5	1,464	-2.0	1,803	+3.0	127	+46.0
Feb.	7,304	-4.7	1,337	+18.5	1,478	+.5	105	+14.1
Mar.	7,163	-2.2	1,630	+4.2	1,561	-2.0	89	+3.5
Apr.	7,232	-.8	1,542	+6.7	1,541	-5.5	139	15.8
May	7,233	+1.8	1,841	+13.4	1,514	-7.4	143	+8.3
June	7,560	+6.5	1,335	+21.9	1,702	+3.3	87	+29.9
July	7,193	+9.9	1,163	-21.4	1,703	+.7	71	+10.9
Aug.	6,693	+5.7	1,847	+6.6	1,722	+3.8	68	-2.9
Sept.	6,818	+6.5	2,358	+15.4	1,641	-.2	71	+20.3
Oct.	7,535	+10.6	2,519	+8.5	1,690	+6.5	85	+4.9
Nov.	8,364	+10.8	1,506	-12.8	1,458	+.8	103	+18.4
Dec.	8,412	+7.5	1,231	-7.5	1,577	+4.2	119	+14.4
<b>1988</b>								
Jan.	8,066	+5.5	1,549	+5.8	1,759	-2.4	111	-12.6
Feb.	7,856	+7.6	1,243	-7.0	1,527	+3.3	126	+20.0
Mar.	7,572	+5.7	1,727	+6.0	1,573	+.8	106	+19.1
Apr.	7,726	+6.8	1,392	-9.7	1,614	+4.7	139	0
May	7,504	+3.7	2,029	+10.2	1,719	+13.5	141	-1.4

1/ Percent change is from previous year.

Table 14--Federally inspected cattle slaughter

Week ended	Cattle			Steers			Total			Cows			Dairy			Dairy/total		
	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988	1986	1987	1988
Thousands																		
Percent																		
Jan.																		
9	757	741	664	343	349	328	189	148	132	79	66	64	42	45	48			
16	755	766	722	343	360	358	176	151	127	72	67	63	41	44	50			
23	704	707	701	321	336	353	153	124	125	67	61	59	44	49	47			
30	669	673	673	308	332	340	143	128	117	62	64	56	43	50	48			
Feb.																		
6	655	674	644	307	316	335	144	135	114	64	67	57	44	50	50			
13	651	621	636	310	303	332	122	119	103	58	59	53	48	50	51			
20	638	602	637	289	292	316	126	109	118	59	55	59	47	50	50			
27	676	657	640	318	326	317	136	121	121	64	65	58	47	54	48			
Mar.																		
5	637	678	618	297	337	307	130	127	115	62	67	57	48	53	50			
12	638	646	609	304	311	298	128	124	105	61	58	54	48	47	52			
19	646	624	622	305	300	312	131	111	106	61	55	54	47	49	51			
26	641	616	607	295	303	304	135	116	108	64	58	53	47	50	49			
Apr.																		
2	669	652	617	315	328	315	157	121	106	89	57	51	57	47	48			
9	716	649	600	354	333	300	148	114	101	97	51	50	65	45	50			
16	705	681	619	339	349	315	137	119	110	86	52	54	63	44	49			
23	719	639	670	342	330	349	159	117	108	92	48	49	58	41	45			
30	719	635	674	334	321	356	157	118	109	84	48	50	53	41	46			
May																		
7	706	631	664	327	309	358	149	116	105	77	46	47	52	40	45			
14	731	700	663	339	348	344	156	124	108	74	50	47	47	37	44			
21	729	695	682	334	355	348	158	131	118	77	49	48	49	37	41			
28	643	613	689	310	308	355	136	107	125	64	43	52	47	40	42			
June																		
4	720	680	575	364	351	298	142	117	96	66	50	39	46	43	41			
11	735	669	681	375	340	336	143	115	121	66	49	51	46	43	42			
18	691	649	678	327	320	338	140	123	129	65	49	53	46	40	41			
25	731	680	677	343	339	344	147	129	120	69	52	49	47	40	41			
July																		
2	612	621		289	316		123	109		59	47		48	43				
9	734	652		342	338		149	114		74	51		50	45				
16	746	682		354	339		163	128		75	53		46	41				
23	732	672		346	333		151	121		71	51		47	42				
30	685	676		310	339		148	123		75	56		51	46				
Aug.																		
6	723	694		339	335		141	123		71	58		50	47				
13	767	713		361	354		150	124		78	58		52	47				
20	733	692		341	336		147	129		71	63		48	49				
27	718	706		333	341		146	132		74	66		51	50				
Sept.																		
3	619	690		291	324		116	119		55	54		47	45				
10	734	624		332	296		134	100		59	44		44	44				
17	722	729		352	336		145	124		66	53		46	43				
24	678	677		337	312		143	123		63	57		44	46				
Oct.																		
1	694	684		359	324		134	116		62	53		46	46				
8	686	690		342	340		137	120		64	53		47	44				
15	690	696		318	338		150	128		66	55		44	43				
22	688	676		322	319		152	136		61	57		40	42				
29	696	664		325	315		165	140		66	59		40	42				
Nov.																		
5	714	649		335	311		165	140		68	58		41	41				
12	671	643		296	301		168	135		73	56		43	41				
19	692	648		313	308		175	141		70	57		40	40				
26	594	576		281	280		133	109		53	46		40	42				
Dec.																		
3	685	646		298	305		174	138		74	58		43	42				
10	676	660		302	311		175	140		71	60		41	43				
17	691	639		315	324		170	115		73	51		44	44				
24	512	482		248	242		105	80		46	39		44	49				
31	577	561		274	291		130	86		62	41		48	48				

1/ Corresponding dates to 1988: 1986, Jan. 11; 1987, Jan. 10.

Table 15--Great Plains custom cattle feeding: Selected costs at current rates 1/

Purchased during: Marketed during:	Sept. 87 Mar. 88	Oct. Apr.	Nov. May	Dec. June	Jan. July	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.	June Dec.
<b>Expenses: (\$/head)</b>										
600 lb feeder steer	485.40	453.78	443.04	448.50	481.32	503.52	495.66	487.86	487.50	455.70
Transportation to feedlot (300 miles)	.96	.96	.96	.96	.96	.96	.96	.96	.96	.96
Commission	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Feed										
Milo (1500 lb) 2/	49.20	51.60	52.95	53.40	54.15	54.75	55.65	54.45	55.50	61.80
Corn (1500 lb) 2/	56.25	58.65	59.85	62.55	63.60	64.65	66.45	65.25	66.30	72.45
Cotton seed meal (400 lb)	45.20	55.60	55.60	55.60	52.40	52.40	52.40	48.80	48.80	48.80
Alfalfa hay (800 lb)	42.80	43.20	45.60	46.80	46.00	46.80	46.40	48.40	41.60	42.00
Total feed cost	193.45	209.05	214.00	218.35	216.15	218.60	220.90	216.90	212.20	225.05
Feed handling and management charge	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Vet medicine	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Interest on feeder and 1/2 feed	29.83	30.01	29.56	29.98	30.94	32.17	31.82	31.31	31.16	29.83
Death loss (1.5% of purchase)	7.28	6.81	6.65	6.73	7.22	7.55	7.43	7.32	7.31	6.84
Marketing 3/	F.o.b.	F.o.b.	F.o.b.	F.o.b.	F.o.b.	F.o.b.	F.o.b.	F.o.b.	F.o.b.	F.o.b.
<b>Total</b>	<b>746.92</b>	<b>730.61</b>	<b>724.21</b>	<b>734.51</b>	<b>766.59</b>	<b>792.81</b>	<b>786.78</b>	<b>774.34</b>	<b>769.14</b>	<b>748.38</b>
<b>Selling price required to cover: 4/ \$/cwt</b>										
Feed and feeder cost (1056 lb)	64.29	62.77	62.22	63.15	66.05	68.38	67.86	66.74	66.26	64.46
All costs	70.73	69.19	68.58	69.56	72.59	75.08	74.51	73.33	72.83	70.87
Selling price 5/	72.26	73.96	76.06	71.31						
Net margin	1.53	4.77	7.48	1.75						
<b>Cost per 100 lb Gain:</b>										
Variable cost										
less interest \$/cwt	44.95	47.97	48.93	49.82	49.47	50.03	50.47	49.64	48.70	51.18
Feed costs \$/cwt	38.69	41.81	42.80	43.67	43.23	43.72	44.18	43.38	42.44	45.01
<b>Prices:</b>										
Choice feeder steer 600-700 lb Amarillo	80.90	75.63	73.84	74.75	80.22	83.92	82.61	81.31	81.25	75.95
Transportation rate \$/cwt/100 miles 6/	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22
Commission fee \$/cwt	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
Milo \$/cwt	3.13	3.29	3.38	3.41	3.46	3.50	3.56	3.48	3.55	3.97
Corn \$/cwt	3.60	3.76	3.84	4.02	4.09	4.16	4.28	4.20	4.27	4.68
Cottonseed Meal (41%) \$/cwt 7/	11.30	13.90	13.90	13.90	13.10	13.10	13.10	12.20	12.20	12.20
Alfalfa hay \$/ton 8/	77.00	78.00	84.00	87.00	85.00	87.00	86.00	91.00	74.00	75.00
Feed handling and management \$/ton	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Interest, annual rate 9/	10.25	10.75	10.75	10.75	10.50	10.50	10.50	10.50	10.50	10.50

1/ Represents only what expenses would be if all selected items were paid for during the period indicated. The feed ration and expense items do not necessarily coincide with experience of individual feedlots. For individual use, adjust expenses and prices for management, production level, and locality of operation. Steers are assumed to gain 500 lb in 180 days at 2.8 lb per day with feed conversion of 8.4 lb per pound gain. 2/ Texas Panhandle elevator price plus \$0.15/cwt handling and transportation to feedlots. 3/ Most cattle sold f.o.b. at the feedlot with 4-percent shrink. 4/ Sale weight 1,056 lb (1,100 lb less 4-percent shrink). 5/ Choice slaughter steers, 900-1100 lb, Texas-New Mexico direct. 6/ Converted from cents per mile for a 44,000-lb haul. 7/ Average prices paid by farmers in Texas. 8/ Average price received by farmers in Texas plus \$30/ton handling and transportation to feedlots. 9/ Prime rate plus 2 points.

year-to-year increase in the cow herd. Through the end of June, the percent of heifers slaughtered from inventories on January 1 totaled about 30 percent versus 26 percent during the previous herd expansion in the early 1980's.

In contrast, beef cow slaughter is down 10 percent from 1987. First-half slaughter totaled about 3 million head, which was less than 5 percent of the beef cow inventory on January 1. Cow slaughter did increase slightly in June, but not to levels that indicate a sharp herd liquidation is occurring because of the drought.

While a continuation of the drought could dramatically affect this situation during the latter half of the year, even that remains uncertain. The forage base and carry-over hay stocks on hand prior to the start of dry weather this spring should provide alternatives for many producers other than liquidating their herds. Even then, it is likely that the younger stock cows being sold from regions hit by drought would end up going back to grass in another part of the country rather than to slaughter. Thus, the decline in cow prices during June was more likely a response to drought uncertainty as well as lower prices for fed beef and feeder cattle rather than a response to sharply higher cow slaughter.

#### *Cattle on Feed*

Cattle on feed inventories in the seven monthly reporting States totaled 7.8 million head on June 1, 3 percent above a year earlier and higher than any June figure since 1978. Feedlots placed cattle at record levels during May, with net placements above 2 million head. Marketings at 1.7 million head were near record for the month. Many of these cattle came into the lots in excellent condition off spring wheat pasture and should grade Choice by the end of August. Since most of these feeder cattle were purchased when prices ranged in the low \$80's per cwt rather than their current asking price in the low \$70's, estimated breakeven prices may be \$10 per cwt above forecasted price levels for August-September.

Thus, the feedlot profits enjoyed during much of the year could quickly turn into losses of over \$100 per head by late summer. Losses

of this magnitude would dampen the demand for replacement feeder cattle, forcing stocker-feeder cattle prices lower. The recent increase in grain prices also can be expected to influence prices bid for feeder cattle. The outlook becomes even grimmer if additional cattle are forced off pastures due to a continuing drought, and fall and winter pastures fail to regenerate. While these cattle likely would end up back on grass if not in a feedlot, their price when sold becomes uncertain.

The tightening margins expected for fed cattle through the summer and into the fall may force prices lower for lighter cattle and possibly even this year's calf crop, regardless of anticipated declines in the inventory of lighter cattle. It also will result in lower retail beef prices, which had reached \$2.54 a pound in May, the highest since \$2.55 in June 1982.

#### *Second Half Beef Production*

Third-quarter beef production is expected to increase seasonally to around 5.95 billion pounds, 3 percent above the spring quarter but still 2 percent below a year earlier. The year-to-year decline in production will continue to come from nonfed/processing supplies as second-half cow slaughter is expected to decline 2 percent from 1987. Third-quarter fed beef supplies will remain near a year ago and likely will keep slaughter cattle prices in the mid-\$60's per cwt, with instances of prices moving lower if supplies begin to back up.

Tightening feeder cattle supplies and expected declines in feedlot placements this summer could tighten up fourth-quarter production by as much as 8 percent from the third-quarter. Additional price gains can be anticipated if this occurs, with fed cattle once again averaging above \$70. Yearling feeder cattle prices also are likely to rise to the low \$80's by mid-November. However, drought and grain prices will continue to play a role in determining feeder cattle prices.

#### *U.S. Beef Exports Expanding To Major Markets*

U.S. beef exports for January-April 1988 were up 11 percent from the same period last

Table 16—Corn Belt cattle feeding: Selected costs at current rates 1/

Purchased during: Marketed during:	Sept. 87 Mar. 87	Oct. Apr.	Nov. May	Dec. June	Jan. July	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.	June Dec.
<b>Expenses: (\$/head)</b>										
600 lb feeder steer	489.00	462.00	477.00	473.00	510.00	501.00	511.20	519.00	497.28	464.28
Transportation to feedlot—400 mile	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28
Corn (45 bu)	65.03	68.85	72.45	76.95	78.30	81.90	82.35	84.15	87.30	108.90
Silage (1.7 tons)	25.61	26.19	27.43	28.84	29.38	30.76	31.54	31.04	31.64	36.56
Protein supplement (270 lb)	33.21	34.43	34.43	34.43	37.26	37.26	37.26	35.91	35.91	35.91
Hay (400 lb)	9.50	9.40	9.80	10.20	10.40	10.90	11.40	10.80	10.80	11.40
Total feed costs	133.34	138.86	144.10	150.42	155.34	160.82	162.55	161.90	165.65	192.77
Labor (4 hours)	15.72	15.72	15.72	15.72	15.72	15.72	15.72	15.72	15.72	15.72
Management (1 hr.) 2/	7.86	7.86	7.86	7.86	7.86	7.86	7.86	7.86	7.86	7.86
Vet Medicine 3/	5.30	5.36	5.36	5.44	5.35	5.35	5.35	5.42	5.42	5.42
Interest on purchase (6 months)	26.90	25.18	26.00	25.80	27.03	26.55	27.09	28.03	26.85	25.07
Power, equip., fuel, shelter, deprec. 3/	25.12	25.38	25.38	25.38	24.94	24.94	24.94	25.30	25.30	25.30
Death loss (1% of purchase)	4.89	4.62	4.77	4.73	5.10	5.01	5.11	5.196	4.97	4.64
Transportation (100 miles)	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31
Marketing expenses	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Miscellaneous and indirect costs 3/	10.86	10.98	10.98	10.98	10.79	10.79	10.79	10.94	10.94	10.94
<b>Total</b>	<b>729.37</b>	<b>706.05</b>	<b>727.26</b>	<b>729.74</b>	<b>773.07</b>	<b>768.98</b>	<b>781.56</b>	<b>790.30</b>	<b>770.93</b>	<b>762.94</b>
<b>Selling price required to cover: (\$/cwt)</b>										
Feed and feeder cost (1050 lb)	59.27	57.23	59.15	59.41	63.37	63.03	64.17	64.85	63.14	62.58
All costs (1050 lb)	69.46	67.24	69.26	69.50	73.63	73.24	74.43	75.27	73.42	72.66
Feed cost per 100 lb gain (450 lb)	29.63	30.86	32.02	33.43	34.52	35.74	36.12	35.98	36.81	42.84
Choice steers, Omaha (900-1100 lb)	71.53	70.71	75.15	70.58						
Net margin	2.07	3.47	5.89	1.08						
<b>Prices:</b>										
Feeder steer, Choice (600-700 lb) \$/cwt										
Kansas City \$/cwt	81.50	77.00	79.50	78.90	85.00	83.50	85.20	86.50	82.88	77.38
Corn \$/bu 4/	1.45	1.53	1.61	1.71	1.74	1.82	1.83	1.87	1.94	2.42
Hay \$/ton 4/	47.50	47.00	49.00	51.00	52.00	54.50	57.00	54.00	54.00	57.00
Corn silage \$/ton 5/	15.06	15.41	16.14	16.97	17.28	18.09	18.56	18.26	18.61	21.51
Protein supplement (32-36%) \$/cwt	12.30	12.75	12.75	12.75	13.80	13.80	13.80	13.30	13.30	13.30
Farm labor \$/hour	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93
Interest rate, annual	11.00	10.90	10.90	10.90	10.60	10.60	10.60	10.80	10.80	10.80
Transportation rate \$/cwt. per 100 mile	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22
Mktg. expenses \$/cwt 8/	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Index of prices paid by farmers (1910-14=100)	1128	1132	1132	1132	1138	1138	1138	1154	1154	1154

1/ Represents only what expenses would be if all selected items were paid for during the period indicated. The feed ration and expense items do not necessarily coincide with experience of individuals for management, production, and locality of operation. 2/ Assumes 1 hour at twice the labor rate. 3/ Adjusted quarterly by the index of prices paid by farmers for commodities, services, interest, taxes, and wage rates. 4/ Average price received by farmers in IA and IL. 5/ Price derived from an equivalent price of 5 bushels corn and 330 lb hay. 6/ Average price paid by farmers in IA and IL. 7/ Converted from cents/mile for a 44,000-lb haul. 8/ Yardage plus commission fees at a Midwest terminal market.

Table 17—Beef, Choice Yield Grade 3: Retail, carcass, and farm values, spreads, and farmers' share

Year	Retail price 1/	Gross carcass value 2/	By-product allowance 3/	Net carcass value 4/	Gross farm value 5/	By-product allowance 6/	Net farm value 7/	Total	Farm retail-spread		
									Carcass-retail	Farm-carcass	Farmers' share 8/
Cents per pound											
1982	242.5	152.8	2.1	150.7	155.5	15.0	140.5	102.0	91.8	10.2	58
1983	238.1	147.4	2.0	145.4	151.8	15.6	136.2	101.9	92.7	9.2	57
1984	239.6	150.6	3.0	147.6	158.6	18.6	140.0	99.6	92.0	7.6	58
1985	232.6	137.0	1.8	135.2	142.2	15.4	126.8	105.8	97.4	8.4	55
1986	230.7	134.3	1.2	133.1	140.0	15.6	124.4	106.3	97.6	8.7	54
1987	242.5	146.7	1.4	145.3	157.6	19.7	137.9	104.6	97.2	7.4	57
I	234.6	138.4	1.4	137.0	147.9	17.6	130.3	104.3	97.6	6.7	56
II	243.2	157.6	1.5	156.1	167.8	20.0	147.8	95.4	87.1	8.3	61
III	246.4	146.9	1.4	145.5	157.8	20.1	137.7	108.7	100.9	7.8	56
IV	245.9	144.2	1.5	142.7	156.9	21.0	135.9	110.0	103.2	6.8	55
1988											
Jan.	242.9	146.5	1.8	144.7	158.8	22.2	136.6	106.3	98.2	8.1	56
Feb.	246.3	149.9	1.7	148.3	166.0	22.8	143.2	103.1	98.0	5.1	58
Mar.	248.5	155.8	1.8	154.0	173.1	24.5	148.6	99.9	94.5	5.5	60
I	245.9	150.7	1.7	149.0	166.0	23.2	142.8	103.1	96.9	6.2	58
Apr.	250.2	158.4	1.7	156.7	176.7	24.3	152.4	97.7	93.4	4.3	61
May	253.2	168.0	1.8	166.2	181.9	23.3	158.6	94.6	87.0	7.6	63

1/ Estimated weighted-average of BLS prices of retail cuts from Choice Yield Grade 3 carcass. 2/ Value of carcass-quantity equivalent to 1 lb of retail cuts. A wholesale-carcass equivalent of 1.476 is used. 3/ Portion of gross carcass value attributed to fat and bone trim. 4/ Gross carcass value minus carcass by-product allowance. 5/ Market value to producer for 2.4 lb of live animal, equivalent to 1 lb of retail cuts. 6/ Portion of gross farm value attributed to edible and inedible by-products. 7/ Gross farm value minus farm by-product allowance. 8/ Percent net farm value is of retail price.

year to 186 million pounds. Exports to Japan were up 32 percent to 141 million pounds. Exports to Canada and Mexico at 12.5 and 6.7 million pounds were up 63 and 262 percent, respectively.

Total beef exports in 1987 were exceptionally high because of shipments of meat mandated by the Food Security Act of 1985. These shipments went mainly to Brazil and were not continued after last year. Therefore, although exports to Japan in 1988 increased substantially, total beef exports are forecast to be 580 million pounds, down slightly over last year.

On June 20, the United States and Japan reached an accord on liberalizing Japanese beef imports. A similar agreement was also reached between Australia and Japan a few days later. The first 3 years of the U.S.-Japan agreement, from Japan's fiscal years 4/1/88 to 3/31/91 (JFY88-90), will be a transition period. Imports will be allowed to increase by 60,000 metric tons (132 million pounds) a year reaching 394,000 tons in JFY90. The Livestock Industry Promotion Corporation (LIPC), a quasi-governmental organization that allocates Japan's imported beef, will be

phased out during this period and transactions under the simultaneous buy-sell (SBS) will increase. At present the SBS handles 10 percent of the quantity handled by LIPC, but this will increase over the next 3 years from 30 to 45 to 60 percent.

Market access for hotels will be expanded during the transition period. From 4,000 metric tons (8.8 million pounds) in JFY87, the quota will expand to 10,000 in JFY88, 13,000 in JFY89, and reach 16,000 in JFY90. Australia has maintained that the present system discriminates between types of beef and that there has been a greater expansion of the grain-fed beef quota favoring the United States at the expense of grass-fed beef from Australia. Under reform of the SBS, discrimination between grain-fed and grass-fed beef will be eliminated. Also, it will be easier for new suppliers to enter the Japanese market.

The current 25 percent ad valorem tariff when combined with LIPC surcharges is equivalent to an ad valorem tariff of 96 percent. For the first year of the transition period the tariff will be set at 70 percent, then reduced to 60 percent, then 50 percent

and negotiated thereafter in the Uruguay Round of tariff negotiations.

Certain safeguards will be applied during the following 3 years (JFY91-93) if imports are rising too quickly. If Japan's beef imports are likely to exceed 120 percent of previous-year imports or import allocations, Japan may consult with exporters who would voluntarily reduce their shipments. If imports exceed 120 percent, Japan could impose an additional 25 percent ad valorem tariff. Any safeguards applied after April 1994 would be limited to only those permitted under GATT.

At present Australia supplies about 60 percent of Japan's imports of beef, mainly grass-fed. The United States supplies about 35 percent, mainly grain-fed. During 1987, the United States shipped 397 million pounds of beef to Japan, 66 percent of total U.S. beef exports, up 12 percent from 1986. With the liberalization of the Japanese market, exports to Japan should rise even further.

During 1987, Mexico took 11 million pounds of U.S. beef. At the end of June 1988, the USDA announced a \$40-million line of credit for exports of U.S. frozen or chilled meat to Mexico under its GSM-102 export credit guarantee allocation. The action was taken to help alleviate the impact of the U.S. drought. The coverage includes beef, pork, and poultry. The Mexican Government recently reduced import tariffs on several meats and tendered for 10,000 beef carcasses under the GSM-102 loan guarantee program, with further tenders possible.

#### *U.S. Beef Imports*

U.S. imports of beef, carcass weight, were up 24 percent during January-April 1988 to 921 million pounds. Most of the increase was from Australia, with imports up 50 percent to 464 million pounds. Imports from New Zealand rose only 10 percent to 246 million pounds.

Meat imports under the Meat Import Law reached 630 million pounds, product weight, during January-April 1988, up 26 percent. The 1988 trigger level is 1,525 million pounds, and the current July 1 estimate for imports has been set at 1,510 million, 15 million below the trigger. Fresh and frozen beef imports were heavy during the beginning of the year as meat

stored in bonded warehouses at the end of 1987 (to comply with voluntary restraints) was released onto the market.

Several factors combined to keep imports heavy during the first quarter of 1988. Drought in Australia increased slaughter and exportable supplies. At the same time, reduced U.S. output strengthened trade prices. However, exchange rates have not been as favorable for the Australians during second-quarter 1988, and this could slow the pace of imports. Total U.S. beef imports for 1988 are forecast to reach 2,350 million pounds, up 4 percent.

#### *Live Cattle Imports*

Live cattle imports totaled 822,000 head during January-April 1988, up 48 percent from a year ago. Mexico, the main supplier of feeder cattle to the United States, has an export quota on feeder cattle. Because of a severe drought affecting northern Mexico the export quota has been raised to 1,230,000 head for the year September 1987-August 1988. However, because of meat shortages and efforts to keep meat prices down to levels set in inflation control programs, Mexican export tariffs for cattle and beef have been raised to 25 percent, and export licenses for cattle have been canceled.

#### *Sheep and Lambs*

Sheep and lamb slaughter through May 1988 was 2 percent above the same period a year ago. However, lamb and mutton production through the same period was up 9 percent. This differential is due to increases in slaughter weights of the sheep and lambs. Average dressed weights for lambs slaughtered under Federal inspection for May 1988 were 65 pounds compared to 59 pounds a year ago. This increase in slaughter weights has caused lamb prices to drop substantially below year-ago levels as packers discount heavy lambs. In May and June of 1987 Choice lambs at San Angelo averaged \$94.50 and \$84.83, respectively. In May and June of this year these prices averaged \$72.67 and about \$60.00, respectively. The continued heavy slaughter weights of the lambs has caused fairly large discounts in prices.

For the second half of the year production is expected to be 3 to 4 percent above a year

Table 18--Average retail price per pound of specified meat cuts

Year and item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Dollars												
Choice Beef:												
Ground chuck												
1987	1.69	1.65	1.68	1.70	1.70	1.71	1.71	1.72	1.72	1.71	1.74	1.75
1988	1.74	1.74	1.75	1.74	1.74							
Ground beef												
1987	1.30	1.27	1.28	1.29	1.32	1.30	1.31	1.32	1.32	1.33	1.35	1.32
1988	1.31	1.32	1.34	1.34	1.36							
Chuck roast, bone in												
1987	1.68	1.64	1.63	1.70	1.65	1.71	1.70	1.66	1.67	1.72	1.71	1.66
1988	1.64	1.74	1.69	1.72	1.80							
Round roast, boneless												
1987	2.54	2.47	2.49	2.45	2.59	2.56	2.50	2.51	2.57	2.58	2.58	2.56
1988	2.56	2.61	2.67	2.60	2.61							
Rib roast, bone in												
1987	3.44	3.44	3.37	3.29	3.48	3.64	3.69	3.67	3.60	3.63	3.64	3.57
1988	3.57	3.59	3.66	3.75	3.72							
Round steak, boneless												
1987	2.80	2.80	2.76	2.81	2.94	2.96	2.91	2.93	2.92	2.96	2.92	2.93
1988	2.88	2.94	2.94	3.01	3.00							
Sirloin steak, bone in												
1987	2.81	2.96	2.87	3.02	3.22	3.44	3.36	3.23	3.26	3.12	3.15	3.16
1988	2.99	3.04	3.12	3.18	3.35							
Chuck steak, bone in												
1987	1.71	1.65	1.64	1.69	1.59	1.62	1.62	1.61	1.61	1.61	1.62	1.62
1988	1.61	1.62	1.64	1.65	1.67							
T-Bone steak, bone in												
1987	3.86	3.79	3.83	4.01	4.33	4.64	4.77	4.45	4.37	4.31	4.29	4.27
1988	4.31	4.27	4.33	4.43	4.54							
Porterhouse steak, bone in												
1987	4.22	4.19	4.22	4.26	4.36	4.44	4.44	4.42	4.39	4.40	4.44	4.43
1988	4.40	4.43	4.48	4.51	4.56							
Pork:												
Bacon, sliced												
1987	2.12	2.09	2.10	2.08	2.11	2.13	2.23	2.28	2.28	2.19	2.07	2.02
1988	1.95	1.94	1.92	1.91	1.90							
Chops, center cut												
1987	2.72	2.70	2.64	2.74	2.78	2.97	3.01	3.00	2.98	2.92	2.74	2.67
1988	2.66	2.72	2.68	2.71	2.78							
Ham, rump or shank half												
1987	1.60	1.59	1.50	1.36	1.44	1.50	1.52	1.56	1.58	1.62	1.65	1.60
1988	1.63	1.57	1.60	1.58	1.58							
Sirloin roast, bone in												
1987	1.90	1.82	1.81	1.89	1.92	1.95	2.02	2.04	2.05	2.01	1.95	1.91
1988	1.92	1.90	1.90	1.88	1.89							
Shoulder picnic, bone in												
1987	1.15	1.10	1.06	1.03	1.08	1.03	1.11	1.14	1.16	1.19	1.16	1.16
1988	1.14	1.13	1.14	1.12	1.09							
Sausage, fresh, pork, loose												
1987	2.01	2.02	1.99	1.97	1.98	1.94	2.00	2.02	2.01	1.92	1.97	1.99
1988	2.05	1.97	1.99	2.02	2.02							
Miscellaneous cuts:												
Ham, canned, 3 or 5 lb												
1987	2.84	2.85	2.83	2.77	2.74	2.76	2.83	2.84	2.83	2.85	2.78	2.72
1988	2.77	2.75	2.71	2.73	2.74							
Frankfurters, all meat												
1987	1.98	1.99	1.96	1.98	1.96	2.00	1.91	2.01	1.98	2.04	2.04	2.02
1988	2.02	2.04	2.05	2.01	2.02							
Bologna												
1987	2.22	2.17	2.19	2.15	2.14	2.15	2.21	2.21	2.21	2.20	2.21	2.24
1988	2.24	2.23	2.23	2.20	2.18							
Beef liver												
1987	1.02	1.00	1.03	1.02	1.04	1.03	1.03	1.03	1.03	1.05	1.02	1.03
1988	1.01	1.01	1.02	1.04	1.04							

Table 19--Selected price statistics for meat animals and meat, 1987-88

Item	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Dollars per cwt											
<b>Slaughter Steers:</b>											
Omaha											
Choice, 1000-1100 lb	64.50	64.81	64.81	64.20	63.93	65.00	68.31	71.53	72.71	75.15	70.58
Select, 1000-1100 lb	58.21	59.38	59.90	59.50	59.25	63.14	65.84	69.12	71.14	72.86	67.57
California											
Choice, 1000-1100 lb	66.38	66.90	65.94	65.88	65.15	65.58	69.00	71.05	72.38	74.00	69.73
Colorado											
Choice, 1000-1100 lb	65.16	66.41	66.94	66.87	65.48	66.48	70.08	71.52	nq	na	nq
Texas											
Choice, 1000-1100 lb	65.12	66.46	67.00	67.09	66.12	67.30	70.53	72.29	73.96	76.06	71.31
<b>Slaughter heifers:</b>											
Omaha											
Choice, 1000-1200 lb	64.19	64.31	64.43	63.79	63.63	65.07	68.05	71.19	72.79	74.88	69.90
Select, 900-1000 lb	60.58	61.08	61.13	60.63	60.22	62.13	64.71	67.48	68.84	70.71	65.65
<b>Cows:</b>											
Omaha											
Commercial	46.97	47.83	46.25	44.56	46.20	45.09	46.16	47.30	49.35	49.33	42.70
Breaking Utility	46.35	47.62	46.41	44.83	46.69	45.90	47.32	48.43	49.41	48.79	42.68
Boning Utility	41.23	41.79	40.25	38.97	41.30	47.83	49.55	49.83	49.50	49.16	43.68
Canner	41.23	41.79	40.25	38.97	41.30	42.28	44.10	43.28	43.97	42.31	38.16
Cutter	45.30	45.42	44.52	42.93	45.31	46.52	48.91	48.50	48.60	47.69	42.49
<b>Vealers:</b>											
Choice, So. St. Paul	79.22	80.25	82.50	82.50	83.00	86.88	87.50	87.50	96.41	97.66	100.87
<b>Feeder steers: 1/</b>											
Kansas City											
Medium No. 1, 400-500 lb	88.13	92.40	87.75	89.33	87.30	94.25	97.83	99.20	101.63	94.50	90.50
600-700 lb	79.38	81.50	77.00	79.50	78.90	85.00	83.53	85.20	86.50	82.88	77.38
All weights and grades	75.31	77.10	73.21	74.92	73.69	80.26	81.64	83.12	82.61	78.99	70.77
Oklahoma City											
Medium No. 1 400-500 lb	93.58	98.63	93.38	95.05	95.69	96.96	104.42	101.70	105.03	102.33	93.98
600-700	81.34	83.45	79.68	79.99	80.97	83.73	85.99	85.63	86.50	82.88	77.38
700-800											
Amarillo											
Medium No. 1, 600-700 lb	77.38	80.90	75.63	73.84	74.75	80.22	83.92	82.61	81.31	81.25	75.95
Georgia Auctions											
Medium No. 1, 600-700 lb	72.75	75.60	70.63	72.13	71.67	77.75	81.75	82.60	80.13	79.88	72.60
Medium No. 2, 400-500 lb	76.75	80.40	74.00	78.50	77.33	82.88	88.50	89.30	88.38	85.25	76.40
<b>Feeder heifers:</b>											
Kansas City											
Medium No. 1, 400-500 lb	78.50	82.40	77.06	78.67	80.20	86.50	86.38	88.60	89.56	87.63	nq
600-700 lb	75.00	74.00	72.81	74.83	74.20	76.00	77.35	78.10	76.88	77.25	72.75
Oklahoma City											
400-500 lb.	78.22	83.80	83.49	83.56	81.53	83.08	88.39	89.05	90.72	91.44	79.86
600-700 lb.	73.97	76.26	73.99	72.32	73.37	76.75	78.49	77.91	76.15	76.71	71.75
<b>Slaughter hogs:</b>											
Barrows and gilts											
Omaha No. 1 & 2,											
230-240 lb	60.62	55.29	49.20	42.07	42.71	46.41	48.55	43.93	42.59	48.93	49.50
All weights	60.50	54.63	48.97	40.57	41.35	44.61	46.78	42.62	41.95	47.51	47.80
Sioux City											
7 markets 2/	60.56	55.19	49.28	40.74	41.56	44.59	48.50	43.19	42.28	47.75	48.26
Sows:											
7 markets 2/	60.35	54.72	48.75	40.65	41.14	44.43	47.01	42.79	42.10	47.55	48.06
Feeder pigs:											
No. 1 & 2, So. Mo., 40-50 lb (per hd.)	49.76	49.72	44.87	35.12	32.96	34.18	36.98	35.03	35.51	37.68	33.91
48.05	47.28	41.53	36.56	31.74	37.47	44.80	48.65	52.16	46.85	31.40	

Continued--

Table 19--Selected price statistics for meat animals and meat, 1987-88--Continued

Item	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Dollars per cwt											
Slaughter lambs:											
Choice, San Angelo	71.83	70.05	66.25	65.00	73.83	83.53	77.25	83.75	76.50	72.67	59.38
Choice, So. St. Paul	71.65	66.86	65.23	66.30	74.49	83.88	80.18	76.40	69.85	71.73	56.90
Ewes, Good, San Angelo	38.67	39.81	37.12	37.83	39.88	43.19	38.25	41.17	40.17	36.38	36.30
So. St. Paul	19.95	21.10	22.00	22.00	22.00	25.00	22.25	18.98	17.33	11.45	11.08
Feeder lambs:											
Choice, San Angelo	96.75	102.55	102.00	99.50	105.83	113.63	112.63	111.30	100.25	90.63	77.80
Choice, So. St. Paul	85.00	88.00	93.00	95.63	102.08	111.00	108.63	102.50	88.25	83.50	71.10
Farm prices:											
Beef cattle	61.90	63.70	62.90	62.00	62.20	65.10	67.40	68.30	69.00	69.30	65.20
Calves	82.30	85.90	81.40	82.90	83.10	86.20	92.60	93.50	93.20	93.40	86.70
Hogs	58.60	54.30	48.90	40.60	40.30	42.70	45.80	42.20	41.90	46.30	47.40
Sheep	32.00	32.50	31.50	30.90	33.10	33.60	30.10	29.70	26.00	26.10	21.40
Lambs	76.10	76.80	71.90	65.70	72.80	81.80	80.40	80.20	74.80	72.60	62.10
Meat prices:											
Wholesale											
Central U.S. markets											
Steer beef, Choice, 600-700 lb	95.45	96.87	96.77	95.34	94.50	97.15	99.50	103.47	105.25	111.70	106.38
Heifer beef, Choice 550-700 lb	94.04	96.15	96.03	94.16	93.73	96.60	98.98	103.19	104.97	111.20	104.92
Cow beef, Canner and Cutter	85.63	86.82	83.80	83.41	88.45	88.98	92.18	90.33	89.69	89.88	81.28
Boxed beef cut-out value	101.52	104.33	103.97	102.62	101.82	102.55	105.94	108.50	110.79	116.73	111.97
Pork loins, 14-18 lb 4/	123.50	122.66	103.49	80.35	84.70	102.43	94.93	87.82	94.03	112.75	111.31
Pork bellies, 12-14 lb	80.46	59.74	49.39	45.86	42.60	51.82	48.40	45.32	43.13	46.09	45.51
Hams, skinned, 14-17 lb	86.15	93.58	97.81	96.36	91.98	66.70	76.67	78.35	68.27	67.70	66.51
Pork cut-out value											
East Coast:											
Lamb, Choice and Prime, 35-45 lb	146.25	144.50	145.69	145.38	153.30	161.88	165.00	167.03	156.25	153.75	128.50
55-65 lb	141.00	137.60	134.56	129.56	144.90	156.88	151.25	153.37	141.25	141.38	125.00
West Coast:											
Steer beef, Choice, 600-700 lb	nq	103.00	101.33	nq							
Cents per lb.											
Retail Prices:											
Beef											
Choice	245.4	245.5	245.7	246.6	245.3	242.9	246.3	248.5	250.2	253.7	
All Fresh	213.9	213.1	214.5	217.7	218.6	213.9	217.6	220.0	219.7	221.5	
Pork	196.2	196.9	194.4	189.2	185.6	185.3	183.1	183.3	182.9	183.6	
1982-84=100											
Price indexes: (BLS)											
Retail meats	112.1	112.0	111.8	111.1	110.4	110.1	110.2	109.8	110.8	111.7	
Beef and veal	107.8	107.4	107.8	108.6	108.5	107.7	108.5	109.8	110.5	111.7	
Pork	120.7	121.1	119.0	115.5	113.1	113.4	112.3	112.6	111.4	111.7	
Other meats	111.5	112.3	112.2	112.2	112.1	112.1	112.3	112.0	111.5	112.3	
Poultry	112.9	112.5	111.8	107.9	107.8	108.9	108.4	109.1	110.2	114.0	
Livestock-feed ratios,											
Omaha: 3/											
Steer-corn	44.0	42.8	41.2	38.4	36.7	36.4	37.4	38.4	39.3	38.6	27.9
Hog-corn	41.3	36.3	31.0	24.3	23.8	25.0	25.7	23.0	22.5	24.3	18.9

1/ Reflects new feeder cattle grades. 2/ St. Louis N.S.Y., Kansas City, Omaha, Sioux City, So. St. Joseph, So. St. Paul, and Indianapolis. 3/ Beef, Choice 2-3 550-700 lb. 4/ Prior to 1984, 8-14 lb; 1984 and 1985, 14-17 lb; 1986, 14-18 lb. 5/ U.S. #2, 175 lb carcass. 6/ Bushels of No. 2 yellow corn equivalent in value to 100 pounds live weight.

Table 20--Selected marketings, slaughter, stocks, and trade for meat animals and meat

Item	1987						1988					
	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1,000 head												
<b>Federally inspected:</b>												
Slaughter												
Cattle	2,945	3,009	2,972	2,977	3,024	2,640	2,793	2,832	2,679	2,813	2,707	2,803
Steers	1,482	1,517	1,451	1,381	1,460	1,260	1,373	1,419	1,360	1,394	1,408	1,469
Heifers	874	889	932	1,023	929	784	836	864	792	868	800	827
Cows	531	545	533	511	573	547	535	503	480	498	449	481
Bulls and stags	58	58	56	62	62	49	49	46	47	53	50	54
Calves	214	220	202	229	233	211	242	205	203	216	169	171
Sheep and lambs	407	411	400	459	446	399	439	380	408	535	388	414
Hogs	5,987	6,019	6,019	6,855	7,519	7,121	7,583	6,803	6,518	7,505	6,929	6,713
Percentage sows	5.3	5.6	5.4	4.7	4.0	3.9	3.8	4.2	4.4	4.0	3.8	4.3
Pounds												
<b>Average live wt per head</b>												
Cattle	1,089	1,096	1,103	1,118	1,123	1,126	1,128	1,123	1,122	1,120	1,109	1,105
Calves	251	238	227	237	241	233	231	239	250	242	258	272
Sheep and lambs	116	118	118	120	123	122	124	123	125	129	128	127
Hogs	248	246	244	246	249	252	250	248	247	247	249	250
<b>Average dressed wt</b>												
Beef	650	656	662	670	677	671	670	671	669	670	667	665
Veal	152	146	137	143	146	142	142	145	153	147	157	165
Lamb and mutton	58	59	59	61	62	62	62	62	63	66	65	64
Pork	177	176	175	175	177	180	179	179	178	178	179	180
Million pounds												
<b>Production</b>												
Beef	1,908	1,966	1,959	1,988	2,038	1,766	1,865	1,893	1,784	1,878	1,798	1,874
Veal	32	31	27	32	33	29	34	29	30	31	26	28
Lamb and mutton	23	24	23	28	27	25	27	23	26	35	25	26
Pork	1,058	1,055	1,048	1,199	1,329	1,278	1,352	1,214	1,156	1,331	1,236	1,203
<b>Commercial: 1/</b>												
1,000 head												
Slaughter												
Cattle	3,035	3,099	3,056	3,068	3,131	2,751	2,899	2,921	2,758	2,896	2,784	2,908
Calves	225	231	212	240	246	222	252	214	210	223	176	179
Sheep and Lambs	420	426	416	474	460	412	451	390	416	548	404	427
Hogs	6,160	6,188	6,180	7,027	7,700	7,321	7,813	6,977	6,682	7,680	7,090	6,881
Million pounds												
<b>Production</b>												
Beef	1,928	1,851	1,958	2,017	2,007	2,040	2,098	1,828	1,924	1,943	1,842	1,918
Veal	35	34	30	35	36	32	36	32	32	33	28	30
Lamb and mutton	24	25	24	28	28	25	28	24	26	35	26	27
Pork	1,086	1,082	1,075	1,227	1,359	1,312	1,390	1,244	1,183	1,360	1,263	1,231
<b>Cold storage stocks: 2/</b>												
Beef	253	279	269	287	308	304	289	312	328	312	304	288
Veal	4	4	4	4	4	5	4	5	5	5	5	5
Lamb and mutton	12	9	8	7	7	9	8	8	8	7	8	8
Pork	189	181	175	186	212	252	285	287	308	346	396	389
Total meat	499	516	496	523	576	614	623	656	693	716	758	734
<b>Trade:</b>												
<b>Imports (carcass wt)</b>												
Beef	.238.1	252.5	215.1	213.3	188.5	133.9	96.0	275.4	190.9	236.5	218.5	
Veal	1.1	1.4	1.2	3.5	5.5	1.9	1.1	4.1	2.5	2.9	1.7	
Lamb and mutton	3.3	2.9	2.3	3.6	2.6	2.4	2.4	7.1	5.9	6.2	6.0	
Pork	103.4	101.7	97.1	100.6	111.3	102.5	96.0	89.7	104.9	115.5	92.9	
<b>Exports (carcass wt)</b>												
Beef	46.0	52.7	50.9	55.7	63.7	67.1	51.9	43.4	40.3	50.0	52.3	
Veal	.8	.5	.5	.4	.3	.4	.2	.7	1.0	.7	.4	
Lamb and mutton	.1	.1	.2	.1	.2	.1	.1	.1	.1	.1	.1	
Pork	8.3	6.8	5.7	8.6	12.2	16.5	13.5	8.1	7.8	9.4	16.0	

1/ Federally inspected and other commercial. 2/ End of month. Beginning January 1977, excludes beef and pork stocks in cooler.

ago. Third quarter production is expected to be about 80 million pounds, with the fourth quarter coming in at about 83 million pounds. With this increased production, lamb prices are expected to decline to the mid-to-upper \$60 range for the last half of the year. If lamb producers continue to market their lamb at heavy weights these production numbers could increase and prices drop further.

## POULTRY and EGGS

### Eggs

#### *Egg Production Down*

Egg production during the first 5 months of 1988 was nearly 1 percent below the year earlier. Significant reductions in the laying flock have been taking place, thus reducing the near-term productive capacity of the industry as a whole. Egg-type chick hatch for January to May 1988 fell 16 percent from the previous year. At the same time that fewer hens were being hatched, slaughter of mature light-type hens increased 7 percent over a year ago.

Indicators of the future size of the laying flock, including chicks hatched and placements to hatchery supply flocks, strongly suggest that the downsizing will continue. The total laying flock (both table- and hatching-type hens) as of June 1 was nearly 3 percent below the year earlier, while the table-type flock was down over 3 percent. The number of eggs per 100 layers was up fractionally in May, and up nearly 2 percent on June 1. This improved laying rate partially offset reduced flock size,

Table 21—Layers on farms and eggs produced, 1987-88 1/

Quar- ters	Number of layers		Eggs per layer		Eggs produced	
	1987	1988	1987	1988	1987	1988
- Millions -		- Number -		Million dozen		
I	282	283	61.0	62.2	1,434.6	1,466.9
II	280		63.1		1,472.1	
III	277		62.1		1,432.7	
IV	283		61.6		1,451.7	
Annual	280		247.8		5,791.0	

1/ Marketing year beginning December 1.

resulting in a total egg production decline of over 1 percent for May. For the first 2 months of the second quarter, table egg production was running at a rate just under 3 percent below a year earlier.

For 1988 as a whole, egg production is expected to fall 1 to 2 percent. Producers, who as a group have experienced negative net returns in 12 of the past 14 months, still face an uncertain future as production costs rise sharply due to effects of the drought. Feed costs, which represent about 40 percent of total wholesale costs, have been pushed upward due primarily to apparent drought-related declines in corn and soybean yields. Transportation costs for feed are rising as barge traffic on the drought-shrunken Mississippi slows, and rail rates are increasing with a greater volume of traffic.

#### *Prices Expected To Continue Increasing*

Wholesale prices in New York (grade-A large) averaged 55 and 53 cents per dozen for the first and second quarters, respectively. Prices have been strengthening since mid-May, and end-June prices of 65.5 cents per dozen were the highest since September 1987. Third-quarter prices are expected to range between 64 and 68 cents per dozen. If reduction in the size of the laying flock occurs at a higher than expected rate, prices likely will settle in the high end of or slightly above the projected range. For the fourth quarter, smaller supplies are expected to result in additional price strengthening, with wholesale prices averaging 67 to 73 cents per dozen.

#### *Per Capita Consumption Continues Down*

For 1988, per capita consumption is expected to decline to 242 eggs, about seven less than in 1987. Per capita egg consumption has been declining for more than three decades, and this trend is expected to continue.

#### *Net Returns Negative in Second Quarter*

Estimated second-quarter net returns to egg producers are tentatively put at negative 11 cents per dozen, the third consecutive quarter of losses. With corn and soymeal at the June average of \$2.70 per bushel and \$290 per ton, respectively, the breakeven price of eggs (12-metro area wholesale basis) is

Table 22--Force moltings and light-type hen slaughter, 1986-88

Month	Force molted layers 1/						Light-type hens slaughtered under Federal inspection 2/ (Number of Head)		
	Being molted			Molt completed			1986	1987	1988
	1986	1987	1988	1986	1987	1988			
----- Percent -----									
January	3.6	4.2	3.8	25.2	20.9	20.9	13,890	13,004	13,587
February	4.8	4.6	5.0	23.5	19.1	20.4	12,221	13,196	13,993
March	4.2	3.8	3.8	24.4	20.1	20.6	14,201	13,451	14,466
April	2.8	2.8	3.9	24.0	19.6	19.4	14,761	14,752	13,948
May	5.4	5.4	5.9	22.1	18.8	18.7	13,277	12,747	
June	4.4	6.4	7.6	22.8	18.5	20.0	14,875	13,933	
July	5.4	4.7		21.9	20.5		12,280	12,481	
August	3.9	4.9		21.4	21.0		11,682	12,518	
September	3.9	5.3		20.8	21.7		11,185	10,814	
October	4.7	4.9		20.2	21.3		12,450	12,055	
November	4.2	4.2		20.7	21.4		10,019	11,410	
December	2.5	3.4		22.0	22.4		12,975	15,957	

1/ Percent of hens and pullets of laying age in 15 selected States. 2/ Revisions include data from late reports or other corrections developed by the Food Safety and Inspection Service.

Table 23--Egg-type chick hatchery operations, 1986-1988

Month	Hatch	Eggs in incubators first of month, changes from previous year					
		1986	1987	1988	1986	1987	1988
		-- Thousands --			-- Percent --		
Jan.	34,538	34,156	29,472	13	5	-4	
Feb.	34,826	35,815	28,468	25	4	-24	
Mar.	38,523	41,708	34,743	11	5	-17	
Apr.	42,359	42,356	35,051	5	-2	-17	
May	42,465	40,858	35,824	8	1	-16	
June	37,253	37,256		6	1	-7	
July	33,575	33,375		10	-4		
Aug.	33,382	34,667		4	8		
Sept.	32,638	31,800		2	4		
Oct.	32,444	33,959		-4	9		
Nov.	27,456	30,593		-16	10		
Dec.	33,262	31,242		-3	-7		

estimated at 73 cents per dozen. This estimate is above current near-term wholesale price projections. Table 25 presents estimated total production costs of eggs at the wholesale level, using several alternative prices for corn and meal. For instance, a 10-cent/bushel increase in the corn price leads to a 0.60-cent increase in total wholesale costs. Increasing soymeal prices by \$10-per-ton results in a 0.44-cent-per-dozen rise in costs. Looking at it in a slightly different way, total wholesale costs would increase 1-cent-per-dozen due to either a 16.4-cent-per-bushel rise in corn

prices, or a \$22.2-per-ton increase in the soymeal price.

Estimated net returns to egg producers are expected to remain negative for the remainder of 1988.

#### Broilers

##### Broiler Prices Rise

Wholesale broiler prices averaged 61 cents per pound during June and rose to nearly 70 cents in early July. The 12-city composite price for broilers during the second quarter was 55 cents per pound, nearly 10 cents above the first quarter, and 7 cents above the same quarter during 1987.

The price rise could be accounted for by chicken promotions by fastfood chains, higher retail beef prices, and moderating production during June. A considerable amount of the strength in whole bird broiler prices can be attributed to the strength in parts' prices. Wholesale boneless breast prices in the Northeast rose sharply to \$2.79 per pound in June from \$1.55 in January.

Chick placements for the third quarter indicate that production likely will be lower than previously expected. Prices are expected to average in the 56-60 cent range during the third quarter.

Table 24--Egg prices and price spreads, 1986-88

1/ Market (table) eggs including eggs sold retail by the producer; data not available prior to 1982.  
2/ Price to volume buyers.

Fourth-quarter prices will soften seasonally, averaging in the 49-55 cent range. The average price for 1988 is expected to be in the 51-54 cent range.

## *Net Returns Positive Again*

Net returns have moved up considerably since the first-quarter average of around breakeven. Estimated second quarter net returns are put at 10 cents per pound. This improvement can be traced directly to sharply higher wholesale broiler prices. The second quarter price was 21 percent (nearly 10 cents/pound) above the first quarter. Costs, on the other hand, had not yet begun to reflect the sharply higher corn and meal prices, due to the time lag employed in the estimates.

The effects of feed grain price increases are already being felt by producers who buy their grains on the spot market. But for those who forward contract their feed, the feed cost

impacts may not be felt until later. Estimated broiler production costs increase 1 cent per pound (ready to cook) for every \$0.27-per-bushel increase in corn prices or \$20-per-ton rise in soymeal prices.

Alternatively, every 10-cent-per-bushel increase in corn prices increases production costs 0.37 cent per pound, and every \$10-per-ton increase in soybean meal increases production costs 0.5 cent per pound. (See table 25)

## *Broiler Production Still Up*

Broiler production during 1988 is forecast to increase 5 percent. Cumulative production, January through May, at 6,718 million pounds, was 7 percent above a year earlier. Average slaughter weights during the same period were similar in both years, in contrast to the trend toward higher weights during previous periods. February, March, and April hatches were 5 percent above a year ago, suggesting

Table 25--Wholesale Costs of Broilers, Turkeys, and Eggs Under Alternative Corn and Soybean Meal Prices

Meal Price (\$/ton)	Corn Price (cents/bu)													
	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00	3.10	3.20	3.30
Broilers, Cents per Pound, Ready-to-Cook														
200	46.0	46.4	46.7	47.1	47.5	47.8	48.2	48.6	49.0	49.3	49.7	50.1	50.4	50.8
210	46.5	46.9	47.2	47.6	48.0	48.3	48.7	49.1	49.4	49.8	50.2	50.6	50.9	51.3
220	47.0	47.4	47.7	48.1	48.5	48.8	49.2	49.6	49.9	50.3	50.7	51.0	51.4	51.8
230	47.5	47.9	48.2	48.6	49.0	49.3	49.7	50.1	50.4	50.8	51.2	51.5	51.9	52.3
240	48.0	48.3	48.7	49.1	49.5	49.8	50.2	50.6	50.9	51.3	51.7	52.0	52.4	52.8
250	48.5	48.8	49.2	49.6	49.9	50.3	50.7	51.1	51.4	51.8	52.2	52.5	52.9	53.3
260	49.0	49.3	49.7	50.1	50.4	50.8	51.2	51.5	51.9	52.3	52.6	53.0	53.4	53.8
270	49.5	49.8	50.2	50.6	50.9	51.3	51.7	52.0	52.4	52.8	53.1	53.5	53.9	54.2
280	49.9	50.3	50.7	51.1	51.4	51.8	52.2	52.5	52.9	53.3	53.6	54.0	54.4	54.7
290	50.4	50.8	51.2	51.5	51.9	52.3	52.7	53.0	53.4	53.8	54.1	54.5	54.9	55.2
300	50.9	51.3	51.7	52.0	52.4	52.8	53.1	53.5	53.9	54.3	54.6	55.0	55.4	55.7
310	51.4	51.8	52.2	52.5	52.9	53.3	53.6	54.0	54.4	54.7	55.1	55.5	55.9	56.2
320	51.9	52.3	52.7	53.0	53.4	53.8	54.1	54.5	54.9	55.2	55.6	56.0	56.3	56.7
330	52.4	52.8	53.1	53.5	53.9	54.3	54.6	55.0	55.4	55.7	56.1	56.5	56.8	57.2
Turkeys, Cents per Pound, Ready-to-Cook														
200	61.9	62.4	62.9	63.4	63.9	64.4	64.9	65.4	65.9	66.4	66.9	67.4	67.9	68.4
210	62.6	63.1	63.6	64.1	64.6	65.1	65.5	66.0	66.5	67.0	67.5	68.0	68.5	69.0
220	63.2	63.7	64.2	64.7	65.2	65.7	66.2	66.7	67.2	67.7	68.2	68.7	69.2	69.7
230	63.9	64.4	64.9	65.4	65.9	66.4	66.9	67.4	67.9	68.4	68.9	69.4	69.9	70.4
240	64.6	65.1	65.6	66.1	66.5	67.0	67.5	68.0	68.5	69.0	69.5	70.0	70.5	71.0
250	65.2	65.7	66.2	66.7	67.2	67.7	68.2	68.7	69.2	69.7	70.2	70.7	71.2	71.7
260	65.9	66.4	66.9	67.4	67.9	68.4	68.9	69.4	69.9	70.4	70.9	71.4	71.9	72.4
270	66.6	67.1	67.5	68.0	68.5	69.0	69.5	70.0	70.5	71.0	71.5	72.0	72.5	73.0
280	67.2	67.7	68.2	68.7	69.2	69.7	70.2	70.7	71.2	71.7	72.2	72.7	73.2	73.7
290	67.9	68.4	68.9	69.4	69.9	70.4	70.9	71.4	71.9	72.4	72.9	73.4	73.9	74.4
300	68.5	69.0	69.5	70.0	70.5	71.0	71.5	72.0	72.5	73.0	73.5	74.0	74.5	75.0
310	69.2	69.7	70.2	70.7	71.2	71.7	72.2	72.7	73.2	73.7	74.2	74.7	75.2	75.7
320	69.9	70.4	70.9	71.4	71.9	72.4	72.9	73.4	73.9	74.4	74.9	75.4	75.9	76.4
330	70.5	71.0	71.5	72.0	72.5	73.0	73.5	74.0	74.5	75.0	75.5	76.0	76.5	77.0
Eggs, Cents per Dozen, Grade A Large														
200	65.5	66.1	66.7	67.4	68.0	68.6	69.2	69.8	70.4	71.0	71.7	72.3	72.9	73.5
210	66.0	66.6	67.2	67.8	68.4	69.0	69.7	70.3	70.9	71.5	72.1	72.7	73.3	74.0
220	66.4	67.0	67.6	68.3	68.9	69.5	70.1	70.7	71.3	71.9	72.6	73.2	73.8	74.4
230	66.9	67.5	68.1	68.7	69.3	69.9	70.6	71.2	71.8	72.4	73.0	73.6	74.2	74.9
240	67.3	67.9	68.5	69.2	69.8	70.4	71.0	71.6	72.2	72.8	73.5	74.1	74.7	75.3
250	67.8	68.4	69.0	69.6	70.2	70.8	71.4	72.1	72.7	73.3	73.9	74.5	75.1	75.8
260	68.2	68.8	69.4	70.1	70.7	71.3	71.9	72.5	73.1	73.7	74.4	75.0	75.6	76.2
270	68.7	69.3	69.9	70.5	71.1	71.7	72.3	73.0	73.6	74.2	74.8	75.4	76.0	76.7
280	69.1	69.7	70.3	71.0	71.6	72.2	72.8	73.4	74.0	74.6	75.3	75.9	76.5	77.1
290	69.6	70.2	70.8	71.4	72.0	72.6	73.2	73.9	74.5	75.1	75.7	76.3	76.9	77.6
300	70.0	70.6	71.2	71.9	72.5	73.1	73.7	74.3	74.9	75.5	76.2	76.8	77.4	78.0
310	70.5	71.1	71.7	72.3	72.9	73.5	74.1	74.8	75.4	76.0	76.6	77.2	77.8	78.5
320	70.9	71.5	72.1	72.8	73.4	74.0	74.6	75.2	75.8	76.4	77.1	77.7	78.3	78.9
330	71.4	72.0	72.6	73.2	73.8	74.4	75.0	75.7	76.3	76.9	77.5	78.1	78.7	79.4

second-quarter production likely increased 5 percent.

#### Rate of Increase To Slow

The rate of increase in third-quarter broiler production will probably fall from that recorded during the first 5 months. Weekly slaughter numbers indicate June production

may have been only 2 percent above a year ago. In addition, May hatch and weekly chick placements in June were only 2 percent above a year earlier. Furthermore, the hatching-egg flock on June 1 was 2 percent above a year ago, but eggs set on June 1 were only even with the previous year. Thus, third-quarter production may only rise 2-3 percent. The increase in eggs set compared with the

Table 26—Shell eggs broken and egg products produced under Federal inspection, 1987-88

Period	Shell eggs broken	Egg products produced 1/		
		Liquid 2/	Frozen	Dried
	Thou. doz.	Thou. lbs.	Thou. lbs.	Thou. lbs.
<b>1987</b>				
January	73,724	23,567	29,042	8,981
February	71,122	22,371	27,250	8,159
March	80,467	26,343	31,909	8,725
April	74,135	23,231	27,750	8,428
May	77,451	23,121	28,307	9,242
June	85,391	27,478	27,781	9,788
July	86,461	23,730	30,972	9,622
August	79,928	25,061	27,454	8,356
September	78,419	27,371	28,455	7,157
October	81,959	28,644	34,433	8,504
November	73,557	22,542	29,511	8,037
December	79,469	21,367	34,530	9,337
Jan.-May	376,899	118,633	144,258	43,562
<b>1988</b>				
January	74,629	24,055	26,050	8,973
February	75,240	24,470	26,412	8,649
March	81,978	27,153	28,412	7,712
April	78,725	26,516	28,209	9,487
May	88,484	29,635	33,072	10,226
June				
July				
August				
September				
October				
November				
December				
Jan.-May	399,056	131,829	142,155	45,047
Jan.-May Pct. Chg. Yr-on-Yr	+5.9	+11.1	-1.5	+3.4

1/ Includes ingredients added. 2/ Liquid egg products produced for immediate consumption.

increase in the size of the hatching egg flock could suggest broiler producers are underusing broiler egg laying capacity because they are pessimistic about future broiler prices and feed costs.

#### Longer Term Production To Slow Further

Longer term production indicators imply that the rate of increase may stabilize in the 0-2 percent range for fourth-quarter 1988. Broiler pullets placed in the broiler hatchery supply flock 7-14 months earlier provide an estimate of future broiler egg laying

capacity. The pullets placed during May are assumed to be laying at full capacity by December. Estimates of the broiler hatchery supply flock for October, November, and December were 0, 3, and 2 percent, respectively, below year-earlier estimates.

Accounting for the 21-day incubation period and the 49-51 day growout periods, first-quarter 1989 production could easily be near first-quarter 1988. However, placements to the flock were up about 4 percent during May, suggesting a cautious turnaround in broiler producers' production plans under pre-drought conditions.

#### Turkeys

##### Turkey Industry Net Returns Negative

Losses by turkey producers likely will result in lower turkey production during the second half of 1988. Estimated net returns for the turkey industry have been negative for 10 of the last 12 months. First- and second-quarter net returns were -12 and -10 cents, respectively. Although wholesale turkey prices have been rising during the past 2 months, rising feed prices will prolong the losses. Because turkey producers were already facing negative net returns before the drought, production during 1989 could slow more than it would have otherwise.

Turkey production costs (ready-to-cook basis) rise about 1 cent for every \$0.25-per-bushel increase in corn prices or for every \$19-per-ton increase in soymeal prices. Alternatively, turkey production costs increase .5 cent per pound for every 10-cent increase in corn prices or .7 cent per pound for every \$10 increase in the cost of soybean meal. (See table 25)

##### Production Increases Slowing

Production during 1988 is expected to increase only 5 percent after rising 19 percent in 1987. The slowdown is expected to occur during the second half of 1988. The most recent *Turkey Hatchery* report indicated that placements during March, April, and May 1988 were 1, 8, and 5 percent, respectively, below a year ago. Coupled with relatively much slower placements in January and February 1988 of 3 and 8 percent, respectively, above a year ago, cumulative placements for 1988

Table 27--Egg Supply and Utilization (Population includes Military) 1/

Year	Pro- duc- tion	Beginning stocks	Breaking egg use	Imports 2/	Total supply	Exports	Ship- ments	Hatching egg use 3/	Ending stocks	Consumption Total	Per capita
<b>Total Eggs</b>											
<b>1986</b>											
I	1,420.6	10.7	---	3.6	1,434.9	26.0	7.5	139.2	8.7	1,253.6	62.5
II	1,417.8	8.7	---	4.0	1,430.5	22.4	5.8	145.1	11.9	1,245.4	62.0
III	1,410.5	11.9	---	2.2	1,424.6	29.0	7.5	141.4	11.5	1,235.2	61.3
IV	1,456.1	11.5	---	3.9	1,471.4	24.2	7.2	141.2	10.4	1,288.4	63.8
Year	5,704.9	10.7	---	13.7	5,729.3	101.6	28.0	566.8	10.4	5,022.5	249.5
<b>1987</b>											
I	1,440.4	10.4	---	2.6	1,453.4	23.6	7.3	147.6	11.9	1,263.0	62.4
II	1,438.4	11.9	---	1.2	1,451.6	23.7	4.8	154.2	13.8	1,255.0	61.9
III	1,438.5	13.8	---	1.0	1,453.3	21.5	6.1	147.8	13.5	1,264.3	62.2
IV	1,479.2	13.5	---	0.8	1,493.4	42.4	6.9	146.4	14.4	1,283.3	63.0
Year	5,796.5	10.4	---	5.6	5,812.5	111.2	25.1	596.0	14.4	5,065.7	249.4
<b>1988 4/</b>											
I	1,463.6	14.4	---	.9	1,478.8	33.7	7.0	150.2	12.9	1,275.0	62.4
II		12.7	---								
III											
IV											
<b>Shell Eggs</b>											
<b>1986</b>											
I	1,420.6	0.7	187.8	3.0	1,236.5	5.7	7.3	139.2	0.6	1,083.8	54.0
II	1,417.8	0.6	227.0	3.3	1,194.7	6.9	5.5	145.1	1.1	1,036.1	51.5
III	1,410.5	1.1	225.1	1.2	1,187.7	6.4	7.1	141.4	0.9	1,032.0	51.2
IV	1,456.1	0.9	217.6	3.4	1,242.7	6.9	6.9	141.2	0.7	1,087.0	53.8
Year	5,704.9	0.7	857.4	11.0	4,859.2	25.9	26.8	566.8	0.7	4,238.9	210.6
<b>1987</b>											
I	1,440.4	0.7	225.3	1.9	1,217.7	7.1	7.0	147.6	1.0	1,055.1	52.1
II	1,438.4	1.0	237.0	0.1	1,202.5	8.9	4.8	153.7	1.0	1,034.2	51.0
III	1,438.5	1.0	242.8	0.1	1,196.8	8.3	6.0	147.8	1.0	1,033.7	50.9
IV	1,479.2	1.0	235.0	0.1	1,245.3	24.3	5.9	146.4	1.3	1,067.4	52.4
Year	5,796.5	0.7	940.1	2.3	4,859.4	48.6	23.7	595.5	1.3	4,190.3	206.3
<b>1988 4/</b>											
I	1,463.6	1.3	231.8	0.1	1,233.1	16.0	7.0	150.2	2.0	1,057.9	51.8
II		2.0									
III											
IV											

1/ Totals may not add due to rounding. 2/ Shell eggs and approximate shell-egg equivalent of egg products. 3/ Hatching for 1986-present calculated by the new method. 4/ Preliminary.

--- Not applicable for total egg supply and utilization.

slaughter since September 1987 were 5 percent ahead of a year ago. Eggs in incubators on June 1 were 4 percent below a year earlier.

January through May 1988 production, at 1,501 million pounds, was about 19 percent ahead of the same period a year earlier. Average liveweights increased nearly 3 percent. Poult placements indicated second-quarter production likely increased about 13 percent. These placements suggest production will decrease 5 percent in the third quarter from a year earlier. Similarly, fourth-quarter production will probably fall 5 percent as producers experience rising feed costs.

#### Cold Storage Stock Increases Slackening

Turkey stocks, at 422 million pounds on June 1 (a record), were approximately 42 percent greater than a year earlier. As turkey production begins to level off or drop below 1987, the stock buildup is expected to slow. By yearend, turkey stocks are expected to total only 175 million pounds.

Per capita turkey consumption will likely reach 16.5 pounds in 1988, about 9 percent more than in 1987. Third-quarter per capita consumption, at 3.8 pounds, will also be 9 percent greater than a year earlier, but fourth-quarter consumption, at 5.9 pounds, will be 2 percent less than a year earlier.

Table 28—Broilers: Eggs set and chicks placed weekly in 12 commercial States, 1987-88 1/

Period 2/ Month and day 2/	Eggs set			Chicks placed		
	1987	1988	Percent of previous year	1987	1988	Percent of previous year
	- - - Thousands - - -			- - - Thousands - - -		
January			Percent			Percent
2	112,039	116,091	104	87,427	90,561	104
9	112,316	115,934	103	86,402	92,890	108
16	112,714	114,423	102	85,691	91,299	107
23	112,568	112,593	100	86,904	91,008	105
30	112,791	113,043	100	86,374	92,173	107
February						
6	111,614	116,587	104	86,509	90,937	105
13	111,696	117,406	105	87,285	88,801	102
20	114,761	118,448	103	87,483	87,987	101
27	116,326	119,719	103	87,031	91,987	106
March						
5	115,733	118,971	103	86,840	92,616	107
12	115,980	118,964	103	89,084	93,955	105
19	115,239	118,707	103	90,547	94,901	105
26	117,959	117,130	99	90,034	94,582	105
April						
2	118,697	119,319	101	90,643	94,251	104
9	119,414	118,044	99	89,105	95,041	107
16	118,184	119,121	101	91,486	92,668	101
23	117,771	118,105	100	93,251	94,647	101
30	117,283	117,225	100	93,049	94,575	102
May						
7	118,880	118,385	100	91,840	94,875	103
14	118,834	119,186	100	91,312	94,782	104
21	118,211	118,238	100	91,746	93,120	101
28	120,072	119,871	100	93,181	93,935	101
June						
4	119,205	119,185	100	92,478	94,721	102
11	119,610	120,385	101	91,724	94,448	103
18	119,741	119,443	100	93,083	95,536	103
25	116,507			94,194		
July						
2	110,100			92,926		
9	116,576			92,789		
16	114,836			91,032		
23	114,538			85,547		
30	115,523			90,940		
August†						
6	115,408			89,006		
13	114,941			89,350		
20	114,503			89,772		
27	115,337			89,142		
September						
3	113,743			87,757		
10	109,421			88,239		
17	106,579			89,451		
24	110,720			87,579		
October						
1	115,518			84,773		
8	111,603			82,052		
15	103,037			86,178		
22	102,882			89,618		
29	113,485			88,300		
November						
5	116,808			81,113		
12	117,300			80,373		
19	117,500			88,265		
26	117,541			91,238		
December						
3	111,782			92,466		
10	116,382			92,395		
17	116,770			92,921		
24	115,926			88,058		

1/ 12 States: Ala., Ark., Calif., Del., Fla., Ga., Md., Miss., N.C., Pa., Tex., and Va.

2/ Weeks in 1988 and corresponding weeks in 1987.

Table 29—Broiler chicks hatched and pullet chicks placed in hatchery supply flocks, 1986-88

Month	Broiler-type chicks			Pullet chicks placed in broiler hatchery supply flocks			Cumulative placements 7-14 months earlier		
				Monthly placements					
	1986	1987	1988	1986	1987	1988	1986	1987	1988
Thousands									
January	409,336	439,442	464,527	3,395	4,077	3,389	27,483	29,039	33,028
February	376,092	405,252	431,724	3,420	3,699	4,038	27,940	29,427	33,254
March	432,871	456,081	482,769	3,675	4,111	4,123	27,374	29,523	32,805
April	424,078	455,679	470,154	4,062	4,713	3,831	27,156	29,722	32,185
May	438,623	473,827		3,938	4,055	4,197	27,321	30,148	32,612
June	428,691	461,421		3,515	4,181		27,002	30,242	32,264
July	429,883	463,321		3,672	3,995		26,868	30,603	31,668
August	415,991	455,676		3,846	3,974		26,591	30,742	31,002
September	401,676	433,769		3,594	3,457		26,849	30,926	30,859
October	416,193	441,893		3,846	4,126		27,124	31,365	30,987
November	402,582	423,147		3,769	3,763		28,021	32,232	30,844
December	437,287	469,720		4,423	4,117		28,706	32,693	31,584

### Wholesale Prices Lower but Rising

Wholesale prices for hen turkeys in the Eastern region averaged 51 cents per pound during the second quarter, down from 56 cents in 1987. However, prices in the East have been rising since May and were in the lower-to-mid 60's by the end of June. Unlike broilers, turkey parts' prices have not shown much strength since the first of the year. In June, 10-12 pound breasts in the East remained near 90 cents per pound, similar to January's prices, but below the 114 cents of June 1987. Drumsticks in the East have risen from 16 cents in January to 20 cents in June, similar to a year ago.

Turkey prices are expected to continue rising seasonally as holiday buying activity picks up during the third and fourth quarters, and production continues to slow. Eastern hen turkey prices will likely average 65-69 cents during the third quarter and 70-76 cents during the fourth quarter. Prices during 1988 are expected to average 58-61 cents, nearly unchanged from 1987.

Table 30—Estimated costs and returns, 1987-88 1/

Year	Production costs		Wholesale		Net returns
	Feed	Total	Total costs 2/	Price 3/	
Market eggs (cts/doz)					
1987					
I	21.8	40.0	60.5	66.4	5.9
II	23.1	41.3	61.8	58.9	-2.9
III	23.9	42.1	62.6	64.1	1.5
IV	24.5	42.7	63.2	59.7	-3.5
Year 4/	23.3	41.5	62.0	62.3	0.2
1988					
I	26.1	44.3	64.8	57.1	-7.8
II 5/	27.1	45.3	65.8	54.6	-11.2
Broilers (cts/lb)					
1987					
I	12.7	20.7	42.0	50.0	8.0
II	12.8	20.8	42.1	48.1	6.0
III	14.3	22.3	44.1	48.8	4.7
IV	13.7	21.7	43.4	42.5	-0.8
Year 4/	13.4	21.4	42.9	47.4	4.4
1988					
I	15.4	23.4	45.6	45.5	-0.1
II 5/	15.3	23.3	45.5	55.2	9.7
Turkeys (cts/lb)					
1987					
I	18.4	32.1	56.5	57.0	0.5
II	18.2	31.9	56.1	58.7	2.6
III	20.4	34.1	58.9	55.0	-4.0
IV	19.8	33.5	58.2	57.6	-0.8
Year 4/	19.4	33.1	57.6	57.0	-0.7
1988					
I	21.9	35.6	60.9	48.1	-12.8
II 5/	22.0	35.7	60.9	50.7	-10.2

1/ Costs and prices are weighted by monthly production. 2/ Based on farm cost converted to wholesale market value. 3/ Wholesale prices used are the 12-metro area egg price, 12-city weighted average broiler price, and a weighted average of 8-16 lb. young hens and 14-22 lb. toms in Central, Western, and Eastern Regions. 4/ Weighted average. 5/ Preliminary.

Table 31—Federally inspected young chicken slaughter, 1987-88

Year	Number	Average weight	Certi-fied RTC	
	Millions	Pounds	- Million Pounds -	
<b>1987</b>				
I	1,188	4.33	5,149	3,735
II	1,253	4.29	5,369	3,910
III	1,301	4.20	5,470	3,966
IV	1,229	4.35	5,349	3,891
Year	4,971	4.29	21,333	15,498
<b>1988</b>				
I	1,263	4.35	5,493	3,984
II				
III				
IV				
Year				

Table 32—Young chicken prices and price spreads, 1986-88

Item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
Cents per pound													
Farm price 1/													
1986	30.6	29.2	29.7	29.5	32.2	35.4	42.7	43.9	36.5	39.3	34.9	30.6	34.5
1987	31.1	30.1	29.1	29.6	30.0	27.6	28.1	31.6	28.5	25.2	26.4	24.6	28.5
1988	27.1	25.7	27.5	28.0	33.5								
Wholesale RTC 12-city avg. 2/													
1986	51.7	49.0	50.3	50.0	54.6	58.3	69.1	69.7	61.0	61.6	57.5	50.0	56.9
1987	51.8	49.8	48.5	48.6	50.5	45.5	47.0	52.6	46.4	43.2	44.6	39.8	47.4
1988	43.9	44.9	48.4	48.7	56.3								
U.S. avg. retail price													
1986	76.6	77.1	76.7	75.2	76.9	79.5	88.9	95.8	91.0	90.0	87.8	86.5	83.5
1987	82.1	83.2	80.4	79.2	78.2	77.1	75.5	78.5	79.3	79.1	75.6	73.6	78.5
1988	74.0	74.5	75.3	76.0	79.6								
Price spreads													
Retail-to-cons.													
1986	19.5	21.8	21.0	19.2	16.3	15.5	16.4	20.0	21.6	20.5	22.6	30.0	20.4
1987	24.3	26.8	25.2	25.3	21.2	25.3	21.2	20.2	33.1	30.2	25.2	26.1	25.3
1988	24.1	24.4	18.8	22.1	23.6								
1982-84 = 100													
Retail pr. index Wh. chickens													
1986	105.0	105.6	106.0	103.9	106.1	109.8	121.9	132.3	125.5	124.9	123.0	121.0	115.4
1987	119.5	118.7	115.2	113.1	112.9	111.6	109.9	113.9	114.6	113.0	109.2	107.7	113.3
1988	107.9	109.5	110.3	111.6	117.4								

1/ Live weight. 2/ 12-city composite weighted average.

Table 33--Turkey hatchery operations, 1985-88 1/

Month	Total turkey placed 2/			Eggs in incubators first of month, changes from previous year		
	1985-86	1986-87 3/	1987-88	1985-86	1986-87	1987-88
<b>-- Thousands --</b>				<b>-- Percent --</b>		
Sept.	10,661	13,620	15,024	+20	+18	+16
Oct.	12,451	14,135	16,743	+8	+17	+18
Nov.	12,648	13,836	17,714	+13	+11	+21
Dec.	14,448	17,705	19,956	+17	+18	+15
Jan.	17,204	21,646	22,307	+8	+27	+9
Feb.	18,608	21,265	23,059	+13	+14	+8
Mar.	20,761	25,401	25,043	+8	+19	+3
Apr.	23,065	26,703	24,647	+10	+17	-2
May	24,337	26,623	25,313	+9	+16	-5
June	23,394	27,265		+10	+15	-4
July	22,310	25,999		+13	+19	
Aug.	16,405	19,889		+8	+22	

1/ Breakdown by breed not shown to avoid disclosing individual operations.  
 2/ Excludes exported pouls. 3/ Includes revised calendar year 1987 numbers.

Table 34--Federally inspected turkey slaughter,  
1987-88

Year	Number	Average weight	Live- weight	Certi- fied RTC
				- Million Pounds -
<b>Millions Pounds</b>				
1987				
I	40.9	20.67	846.7	670.1
II	55.5	19.70	1,093.2	866.8
III	69.9	19.88	1,389.4	1,099.0
IV	64.7	21.07	1,364.1	1,080.9
Year	231.0	20.33	4,691.1	3,714.9
1988				
I	50.2	21.0	1,052.5	835.4
II				
III				
IV				
Year				

Table 35—Turkey prices and price spreads, 1986–88

Item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
Cents per pound													
Farm price 1/													
1986	35.6	36.3	36.9	38.1	40.9	45.9	49.3	50.9	51.4	53.0	51.5	43.0	44.4
1987	34.9	35.3	37.6	36.5	35.0	34.5	33.1	31.4	30.8	29.9	33.7	38.1	34.2
1988	31.8	29.0	28.2	28.4	29.7								
New York, hens 8-16 lbs 2/													
1986	60.3	61.7	63.9	64.6	67.1	73.8	77.9	80.5	81.2	83.2	80.7	71.1	72.2
1987	55.3	58.5	60.3	58.3	55.3	55.7	56.3	56.1	56.1	54.7	60.7	66.5	57.8
1988	52.8	47.1	47.0	46.9	49.1								
4-region average retail price													
1986	106.3	107.8	104.8	104.2	103.4	102.3	105.6	109.5	111.9	112.9	108.1	102.1	106.6
1987	103.6	103.2	103.0	100.4	102.8	105.1	105.8	105.1	103.3	102.6	90.0	89.3	101.2
1988	93.1	92.9	91.0	89.4	92.9								
Price spreads Retail-to-consumer													
1986	33.7	36.7	32.5	31.3	27.1	19.0	19.3	19.5	21.7	20.2	16.2	21.8	24.9
1987	39.8	37.4	35.4	33.4	37.3	40.1	41.1	41.8	39.0	38.3	22.0	13.5	34.9
1988	29.8	35.0	33.4	33.0	35.1								
1982–84 = 100													
Consumer pr. index 3/													
1986	111.6	112.5	111.1	109.7	110.5	109.8	110.9	111.7	114.5	117.1	113.9	112.3	112.1
1987	113.3	111.6	112.0	109.6	111.6	111.8	112.1	111.6	109.4	109.2	103.5	103.9	110.0
1988	107.7	107.2	107.2	107.5	108.3								

1/ Live weight. 2/ Wholesale, ready-to-cook. 3/ Other poultry CPI.

### U.S. Poultry Trade

#### Broiler Export Growth Continues

U.S. broiler exports during January through April 1988 were 225.4 million pounds, up 12.5 percent from the same period last year. Value, however, was about the same, at \$101 million, as export unit values dropped 11 percent from a year ago to 45 cents a pound.

During January through April, broiler exports to the fast-growing economies of Japan, Hong Kong, and Singapore were 55 percent of the total compared to 49 percent a year earlier. Exports to the Caribbean increased 20 percent, to nearly 37 million pounds. Mexico purchased 66 percent more in an attempt to expand meat supplies and hold down escalating consumer prices.

Broiler exports under the Export Enhancement Program (EEP) during the period

Table 36—U.S. Broiler Exports to Major Importers, January–April, 1987–1988

Country or area	1987	1988
	<u>1000 lb</u>	
Japan	50,744	67,883
Hong Kong	28,735	34,792
Singapore	17,917	21,170
Egypt	25,362	16,487
Jamaica	14,791	15,503
Mexico	7,533	12,514
Canada	15,645	11,839
Iraq	8,398	7,693
Netherlands Antilles	5,118	3,989
Spain	1,404	3,976
French Polynesia	0	2,848
St. Lucia	0	2,614
Antigua	0	1,799
Dominican Republic	1,051	1,786
Aruba	0	1,772
Trinidad	330	1,438
Bahamas	813	1,216
Bermuda	1,160	1,114
St. Christ-Nevis	0	994
St. Vincent	0	936
Saudi Arabia	2,256	872
Other	19,210	12,209
Grand Total	200,467	225,444

dropped about 15 percent from a year earlier, to approximately 31 million pounds, about 14 percent of the total. Exports to Egypt under the EEP decreased 35 percent as scarce foreign exchange was not used for broiler meat imports. Iraq, attempting to increase domestic production, also reduced imports under the EEP. However, exports under the EEP were up to Spain's Canary Islands and to the Persian Gulf countries.

#### *Broiler Parts Exports Gain*

Eighty-five percent of U.S. broiler exports during January through April 1988 were parts. Volume was 191 million pounds, up 19 percent compared to a year earlier. Japan continued to be the leading importer of broiler parts, taking 51.3 million pounds, followed by Hong Kong with 34.3 million and Singapore with 20.7 million pounds.

#### *U.S. Egg Exports Up Sharply*

Total U.S. egg exports for January-April 1988 increased 46 percent from a year ago, to 45.5 million dozen, of which 55 percent were egg products, 27 percent table eggs, and 18 percent hatching eggs. Export value rose 34 percent to \$36 million. Table egg exports increased 170 percent to 12 million dozen. Factors behind this increase included the EEP and low U.S. egg prices.

Table 37--U.S. Mature Chicken Exports to Major Importers, January-April, 1987-1988

Country or area	1987	1988
	<u>1000 lb</u>	
Japan	125	2,144
Canada	1,982	596
Singapore	7	493
Hong Kong	0	413
Dominican Republic	0	402
Kuwait	15	383
Egypt	1,185	307
Jamaica	838	286
Netherlands	173	280
United Arab Emirates	37	201
Mexico	1,410	178
Bahrain	4	139
Netherlands Antilles	140	132
Micronesia	26	104
Other	800	588
Grand Total	6,742	6,646

Japan continues as the leading cash customer, buying 43 percent of total egg exports, nearly all in the form of egg products. West Germany, South Korea, Switzerland, the United Kingdom, and Mexico also increased egg product imports from the United States. Mexican imports, at 1.4 million dozen, increased six times above last year, reflecting efforts to hold down food prices.

Exports to Canada are down from a year ago, due to reductions in purchases of hatching eggs, which are 60 percent of total exports to Canada. The Canadian Broiler Hatching Egg Marketing Agency has requested import controls on chicks and hatching eggs from the Government, but they have not yet been granted.

Total EEP sales during January-April 1988 were nearly 10 million dozen, 84 percent of table egg exports, and 22 percent of total egg exports. Major EEP customers were Iraq and Hong Kong, each with 4.3 million dozen, and the United Arab Emirates, with 1.4 million dozen. During this period, Iraq also purchased 2 million dozen hatching eggs financed by an export credit program.

The United States imported only 1 million dozen eggs during January through April 1988.

Table 38--U.S. Egg Exports to Major Importers, January-April, 1987-1988 1/

Country or area	1987	1988
	1000 dozens	
Japan	17,913	19,505
Iraq	0	6,308
Hong Kong	2,743	4,500
Canada	4,749	4,378
Mexico	198	1,433
United Arab Emirates	0	1,422
Federal Rep. of Germany	310	1,190
South Korea	69	871
Jamaica	538	757
Switzerland	384	633
United Kingdom	180	520
Dominican Republic	732	331
Trinidad-Tobago	762	318
Venezuela	33	298
Haiti	509	265
Bermuda	39	240
Suriname	225	223
Oman	0	166
Other	1,814	2,018
Grand Total	31,198	45,376

1/ Shell, and shell equivalent of egg products.

Canada supplied 862,000 dozen, 92 percent in the form of egg products. The average unit value of imports doubled to \$1.24 a dozen, compared with the same period a year earlier.

### *U.S. Turkey Exports Boomed in Early 1988*

U.S. turkey exports during January through April 1988 were up 110 percent to 16.5 million pounds compared to a year earlier. Value increased 61 percent to \$6.7 million. The average export unit value was down 23 percent to 41 cents a pound compared to a year ago, as turkey and especially parts were low-priced in the United States during early 1988.

All leading U.S. turkey importers -- West Germany, Taiwan, Egypt, and Japan but not Canada -- had large increases over last year. Almost all the increase in turkey exports was of parts, which rose 143 percent during January through April 1988, to 14.7 million pounds compared to the same period a year earlier. Major importers, except Japan, took over 90 percent of their turkey in parts. Japan took two-thirds as parts.

West Germany is expected to continue as a major importer of U.S. turkey. Turkey consumption in West Germany, although at a low 2 kilograms per capita in 1987, is rising rapidly. Domestic production provided only 57 percent of consumption during 1987.

Table 39--U.S. Turkey Exports to Major Importers, January-April, 1987-1988

Country or area	1987	1988
1000 lb		
Federal Rep. of Germany	902	2,993
Taiwan	102	2,842
Egypt	506	2,795
Japan	303	1,029
Canada	2,502	973
Hong Kong	326	817
French Polynesia	0	730
Mexico	311	628
Western Samoa	480	430
Togo	192	415
South Africa	0	384
Haiti	285	377
Marshall Islands	327	301
Ivory Coast	90	298
Jamaica	155	266
Other	1,388	1,254
Grand Total	7,869	16,532

U.S. turkey exports to Taiwan skyrocketed during 1987 and the first quarter of 1988, but pressure from a farm group induced the Government to ban further imports. While the ban on whole turkey imports has been lifted, that on parts has not, and is being negotiated.

Exports to Canada have dropped as frozen turkey stocks there were up about 50 percent on January 1, 1988, compared to the previous year, and production during the first half of 1988 increased rapidly. Imports for the year could drop about 50 percent compared to 1987.

### *Outlook for Slower Export Growth*

The sharp gains in U.S. poultry exports of 1986 and 1987 show signs of being threatened by sharp increases in U.S. prices, and increased competition from the EC. Broiler prices began moving above 1987 levels in April. By mid-June, turkey prices moved above last year's level, followed by egg prices in late June. With prices expected to remain relatively high during the rest of 1988 and into 1989, growth in turkey and egg exports will slow, and broiler exports are expected to decline from 1987.

The United States will likely experience increased competition from the EC for broiler and egg export markets. Effective U.S. competition under the evolving conditions could require larger bonuses under the EEP. Poultry prices in the EC have remained relatively stable in early 1988, but its export subsidies on chicken meat and eggs are above 1987. Feed prices in the EC will likely rise less than in the United States, possibly increasing their price advantage later in 1988.

Other major competitors are not in as strong a position as the EC to increase market share. Brazil's production costs have escalated and its exports may decline. High feed costs and residue problems are expected to hold Thailand's 1988 exports flat. Hungary faces high costs of protein feeds but is expected to increase 1988 exports, including shipments outside the Eastern Bloc.

The potential for poultry meat import growth is generally good, especially in East Asia. However, Iraq and Egypt, large importers of U.S. poultry products under the EEP in 1987, have reduced their broiler meat imports.

Shayle D. Shagam 1/2

**Abstract:** A number of factors influence competition in the Japanese pork import market. The Japanese require specifically trimmed cuts of high quality pork. All exporters face a common yen import price for a blend of high and lower value pork cuts in a container. Assuming that all exporters can meet the quality specifications, competition can occur based upon the quantity of higher value cuts which can be included in a container without exceeding the import price set by the government or triggering a variable levy.

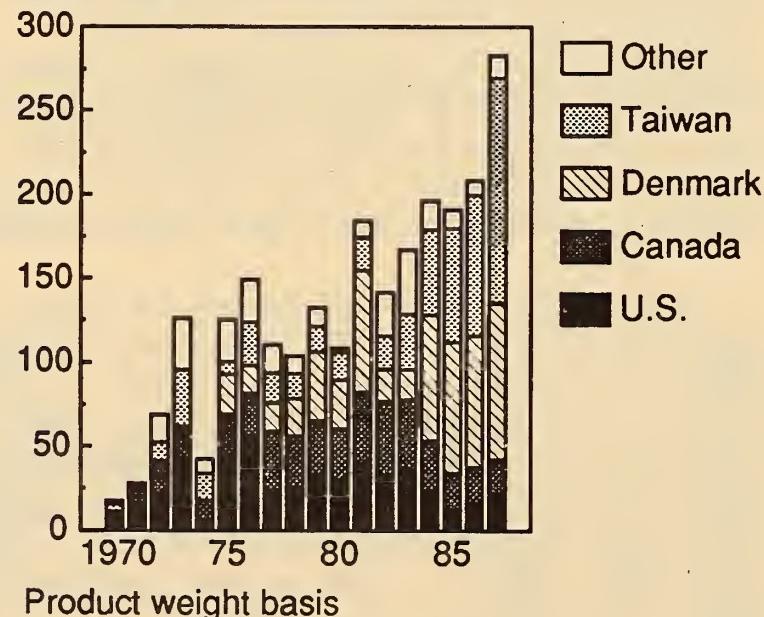
**Keywords:** Pork trade, Japan, exchange rates

## Introduction

The Japanese market for imported pork is the second largest in the world, and over the past 5 years has been growing at approximately 7 percent per year. In 1987, Japan imported 310,000 metric tons of pork; 43 percent was from Taiwan, 30 percent was from Denmark, 7 percent from the United States, and 7 percent from Canada. For both the United States and Canada, the current share represents a significant decline, down from 35 percent of the market for each in the early 1970's (figure 1).

## Japanese Pork Imports

Metric tons



The Japanese argue that the major factor responsible for the decline in U.S. and Canadian market shares is that U.S. and Canadian packers produce pork primarily for the North American market, which has cutting and trimming specifications different from those in Japan. This pork does not fully meet the requirements of the Japanese market, which demands high quality, well-trimmed cuts. As producers of pork bound primarily for export, Denmark and Taiwan have geared their packing facilities to meet Japanese specifications. Taiwan has a locational advantage that permits it to ship fresh pork to Japan, as opposed to the chilled or frozen products exported by the United States, Canada, and Denmark. In addition the Taiwanese consume pork products prepared in a manner similar to those in Japan. Therefore, they can offer pork products trimmed for the Japanese market with little alteration from those produced for the Taiwanese market.

Denmark is an aggressive competitor in the Japanese market. Its lower valued product tends to be bellies, a product sought by Japanese processors. Furthermore, Danish producer prices are set as a matter of policy and restitutions are offered to exporters to cover the difference between export prices and domestic prices.

However, for those firms that can meet the requirements, competitiveness in the Japanese pork market can also be influenced by changes in exchange rates and domestic prices. Japanese imports are controlled by a quasi-governmental agency that establishes an

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import price for pork and ensures that this price is met through a series of tariffs and variable levies. These landed prices, set in yen, are the same for all competitors. A comparison of the United States and Canada, two exporters with similar products and costs, indicates that variations in domestic pork prices and exchange rates among the competitors can have an impact on the quantity of pork shipped to Japan.

### The Japanese Pork Market

Most pork imported by the Japanese is in the form of primal cuts. In 1986, it was estimated that the Japanese imported mostly loins (42 percent), shoulders (16 percent), bellies (16 percent), and hams (10 percent). The desired product usually is specially cut with solid muscling. Loins should have a large eye area.

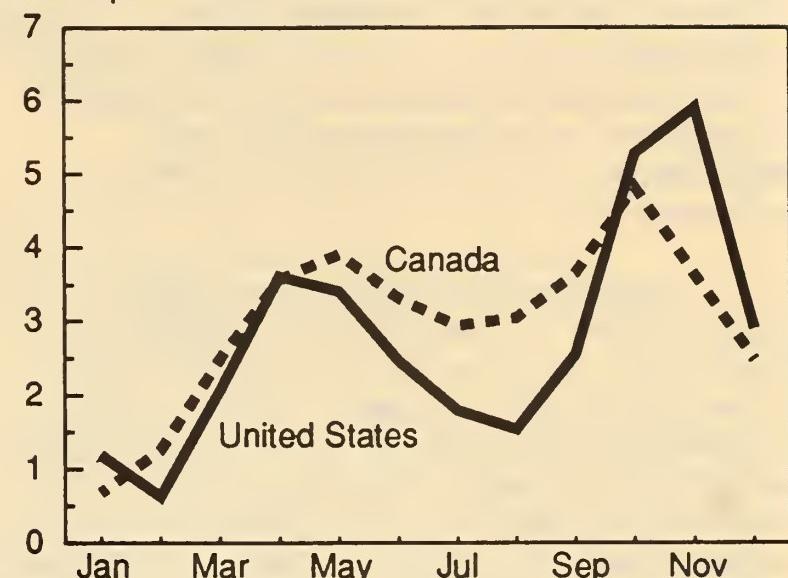
Pork shipped to Japan is typically of very high quality, well trimmed and neatly wrapped. Compared with the United States, Japanese traders will accept only a very small percentage of PSE (pale, soft, and exudated) pork. The Japanese place such a high priority on quality, that they will often pay a premium if they feel that a packer has a reputation for delivering a high-quality product. U.S. packers tend to sell their trimmed, boneless products to a Japanese importer who arranges for ocean transport and has existing distribution channels in Japan.

Historically, the Japanese have tended to import the majority of their pork during March–May and October–December, corresponding somewhat to the Japanese holiday schedule. In the spring, imports increase steadily until April and then begin to decline in May. The end of April and the beginning of May form a holiday period known as Golden Week. Following Golden Week, pork imports decline through the summer and early fall, before beginning to rebound in October, November, and December for the Christmas–New Year holiday season (figure 2).

Keyed to these holidays, the timing of Japanese imports does not necessarily correspond to periods of high or low prices in exporting countries. In 1987, Japanese pork loin imports from the United States and Canada tended to be lower during the U.S. and

### U.S. and Canadian Pork Loin Exports to Japan: 1987

Million pounds



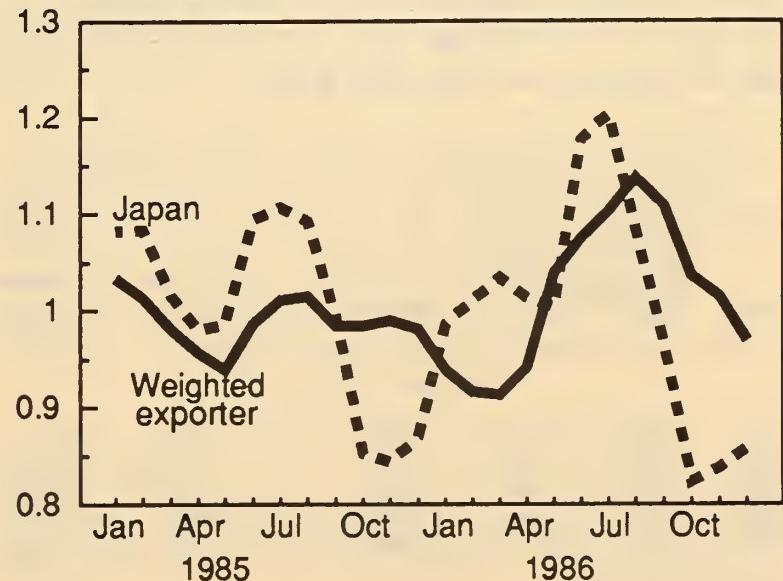
Canadian seasonal highs in loin prices; however, there is some overlap, most notably in May and October.

Pork prices in Japan tend to follow a different pattern than in countries exporting to Japan (figure 3). Data on wholesale carcasses for 1985 and 1986 indicate that as a result of increased imports and domestic stabilization policies, Japanese wholesale prices reached their seasonal lows during periods preceding and during the two holiday periods.

Firms bringing imported pork into the Japanese market face a common yen price set annually by the Livestock Industry Promotion

### Wholesale Hog Carcass Prices: Deviations From Annual Average

Annual average = 1



Corporation (LIPC). To support domestic pork production and stabilize prices, the LIPC sets upper and lower stabilization prices. If producer prices fall below the lower stabilization price, LIPC purchases pork from producers and holds it as intervention stocks. If producer prices are above the upper stabilization price, intervention stocks are released.

Calculations to determine a "Stated Import Price" for landed pork imports are based upon the upper and lower stabilization prices. The stated import price for a skinned carcass is the average of the upper and lower stabilization prices. The Japanese calculate a blended price for pork cuts based upon the assumption that pork cuts make up 75 percent of the carcass. Therefore, the stated import price for a container of pork cuts landed in Japan would be equal to 1.33 times the average of the upper and lower stabilization prices.

In addition, under normal circumstances a tariff equal to a percentage of the value of the product (*ad valorem*) is imposed, unless the landed price of the imported pork is below the stated import price by more than the tariff. The stated import price minus the tariff is called the "trigger price" and if the import price is below the trigger price, a variable levy is applied to bring the landed price of the imported product up to the stated import price (table 1). Under this system the Japanese will collect a duty equal to either the tariff or the variable levy, whichever is greater.

As a result, it is in the best interest of the exporter to offer a C&F price (cost and freight) which is exactly at the trigger price, currently 5 percent below the stated price. In this case, the addition of the tariff would raise the C&F price to the stated price. If the

landed pork was below trigger price, a levy greater than 5 percent would be applied and the LIPC government would reap the benefits of the variable levy. The unit of pork would still enter at the stated price. If the offered price were above the trigger price, the tariff would raise the price of the imported pork above the stated price.

Under certain circumstances, the Japanese Government may wish to encourage pork imports. In that case, a "proclaim price" is announced. If the import price is above the proclaim price, all duty is waived. If the import price plus the tariff exceeds the proclaim price, that duty in excess of the proclaim price is waived.

Since all competing importers are faced with the same trigger price, competition will center upon the quality of cuts entering the market. The trigger price is a blended price based on the average value of the container. Therefore, an importer will mix higher valued pork loins with lower valued shoulder, ham, belly cuts and trimmings to achieve the optimum blended price. This mix will depend upon the domestic prices in the exporting country and how those prices are translated into Japanese yen.

#### Exchange Rates, Domestic Prices, and U.S. Exports to Japan

For exporters facing a common price for a container of pork, the quantity of high quality cuts in each container will provide an important selling point. Exchange rates and relative domestic prices are important in determining the mix of cuts in a container. Exchange rates influence the quantity of cuts by changing the trigger price perceived by a trading company. The higher the trigger price, the greater the quantity of high valued cuts that can be added to a shipment. Prices of the high and low valued cuts relative to the trigger price will influence the mix of cuts that can be offered.

To illustrate these effects, compare the impact of exchange rate movements on U.S. pork exports to Japan during the second, third, and fourth quarters of 1987. For the purposes of illustration, assume that the United States exports only loins and shoulders (a blend of butts and picnics) and that between periods

Table 1.--Stabilization, import and trigger prices

Year*	Stabilization price		Stated cut price	Ad valorem tariff	Trigger price
	Lower	Upper			
Yen per kilogram					
1983	600	780	920	6.9%	861
1984	600	780	920	6.9%	861
1985	600	780	920	5.0%	876
1986	540	760	867	5.0%	825
1987	455	645	733	5.0%	698

\*April-March

Table 2.—Japanese cut pork trigger prices and export prices faced by U.S. exporters in 1987

Year	Trigger price		Cut price* (C&F Japan)		Exchange rate Yen/US\$
	Yen/lb.	US\$/lb.	Loin	Shoulder	
(US\$ per lb.)					
1987					
I	374.4	2.44	3.52	1.15	153.17
II	316.6	2.22	4.10	1.34	142.67
III	316.6	2.16	4.37	1.36	146.92
IV	316.6	2.33	3.27	1.10	135.79

\*Calculated as wholesale price (Omaha) plus value added for Japanese boneless trim, boxing, transport to the port and ocean freight. Although actual C&F price for a given period might differ from those calculated for this study, the prices and weights used to convert wholesale prices to C&F price were the most representative available.

labor costs, trucking rates, and ocean freight rates remain constant.

Although the yen-denominated trigger price remained constant between the second and fourth quarters, movements in exchange rates changed the price for which an importer could land a kilogram of blended pork (table 2). In the second quarter, the optimal blend of cuts to achieve the trigger price in a 40,000 pound container would have been 12,599 pounds of loins and 27,400 pounds of butts:

$$(12,599 \times \$4.10 + 27,400 \times \$1.34) / 40,000 = \$2.22 \text{ 2/}$$

However, in the third quarter two factors affected the ability of a U.S. exporter to compete in the Japanese market. First, there was an increase in the price of loins relative to butts. Had there been no movement in the exchange rate it would still have been necessary to decrease loins to 11,651 pounds and increase the shoulder cuts per container to 28,349 pounds to meet the trigger price:

$$(11,651 \times \$4.37 + 28,349 \times \$1.36) / 40,000 = \$2.22$$

The loss in competitive edge from increasing loin prices was further compounded by the appreciation of the dollar relative to the yen. Although the trigger price as stated in yen was unchanged between the second and third quarters, the price stated in dollars

2/ May not sum because of rounding.

declined by almost 3 percent to \$2.16. Given the new trigger price, the optimal blend for a 40,000-pound container of cuts in the third quarter was 10,550 pounds of loins and 29,450 pounds of shoulder cuts:

$$(10,550 \times \$4.37 + 29,450 \times \$1.36) / 40,000 = \$2.16$$

As a result of the domestic price increases and currency appreciation, the quantity of premium cuts that could be offered to a Japanese import house declined 16 percent.

In the fourth quarter, the situation was reversed. U.S. wholesale loin and shoulder prices declined from their seasonal highs and concurrently the dollar depreciated with respect to the yen. Had the exchange rate remained constant, the decline in prices would have allowed exporters to offer 19,560 pounds of loins per container, up 85 percent from the third quarter. However, the depreciation of the dollar increased the trigger price faced by U.S. exporters by just under 8 percent. This permitted the amount of loins to be increased to 22,818 pounds, up 116 percent from the previous quarter.

### Canadian Exports to Japan

Exchange rates and domestic price have much the same impact on competing exporters in the Japanese market. For example, Canada faces with pork production and transportation costs similar to those in the United States, and like the United States does not directly subsidize its pork exports. Canadian pork prices have tended to move in the same directions as those in the United States, but the Canadian dollar has not depreciated against the yen as rapidly as has the U.S. dollar. This means that while the trigger price in yen has remained constant, the trigger price in Canadian dollars did not increase as rapidly as the trigger price in U.S. dollars (table 3). This had an impact on both the absolute mix of loins and shoulders that Canadian packers could offer an import house and the mix relative to that offered by U.S. packers.

Given the trigger and export prices in second-quarter 1987, the optimal mix for a Canadian exporter was 14,920 pounds of loins and 25,080 pounds of shoulders. In the face of

Table 3.—Japanese cut pork trigger prices and export prices faced by Canadian exporters in 1987

Year	Trigger price		Cut price* (C&F Japan)		Exchange rate Yen/Can\$
	Yen/lb.	Can\$/lb.	Loin	Shoulder	
(Can\$ per lb.)					

1987	I	374.4	3.27	4.29	1.62	114.49
	II	316.6	2.96	4.86	1.73	107.04
	III	316.6	2.85	5.07	1.86	111.09
	IV	316.6	3.06	4.07	1.61	103.58

\*Calculated as the wholesale price (Quebec) plus value added for Japanese boneless trim, boxing, transport to the port and ocean freight. Although actual C&F price for a given period might differ from those calculated for this study, the prices and weights used to convert wholesale prices to C&F price were the most representative available.

increased prices and an appreciation in the value of the Canadian dollar against the yen in the third quarter, the quantity of pork loins that could be offered per container was reduced to 12,012 pounds, down 20 percent from the second quarter.

The decline in the quantity of premium pork can be broken down into price and exchange rate impacts. The increase in prices resulted in a 10.3-percent decline in pork loins per container. The appreciation of the Canadian dollar lowered the trigger price in Canadian dollars and forced an additional 9.2-percent reduction in the quantity of loins per container.

Comparing the effects of exchange rate movements for the United States and Canada between the second and third quarters, the Canadian dollar appreciated at a higher rate than the U.S. dollar. Had the Canadian currency appreciated at the same rate, Canadian exporters could have offered 2 percent more loins per container than offered with the actual exchange rate movements.

In the fourth quarter of 1987, Canadian loin and shoulder cut prices declined and the Canadian dollar depreciated against the yen. These factors resulted in a substantial increase in the optimal quantity of premium pork per container. Had there been no movement in exchange rates, a Canadian exporter would have offered 19,941 pounds of loins and 20,059 pounds of shoulder cuts. The Canadian dollar's depreciation raised the trigger price and permitted the amount of loins per container to increase to 23,413 pounds, 95 percent above third-quarter levels.

However, as in the third quarter, the Canadian dollar did not depreciate as rapidly as the U.S. dollar. Had the Canadian dollar depreciated as rapidly, exporters could have added 2-percent more pork loins to a container.

## Conclusion

Japanese policy tools, and the quality and type of pork demanded by the market have a significant impact upon trade patterns in the Japanese pork market. The Japanese tend to import pork to ensure sufficient supplies for periods of peak demand. These periods do not necessarily correspond to seasonal price lows in exporting countries. The quality of the product plays a very important part in determining the patterns of Japanese imports, but for those exporters who can meet Japanese standards, competition can occur based upon domestic prices and exchange rates.

As shown in the previous example, following Japan's lowering of the trigger price in the first quarter, Canadian exporters were able to offer over 18 percent more premium pork than their U.S. competitors. However, as a result of changes in domestic product prices and relative exchange rates, by the fourth quarter Canadian exporters were offering less than 3 percent more pork loins per container.

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